EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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COSTA RICA
Trade unions come under fire
Page 9

World News

Labour clears way to quit Israeli coalition

Israel's Labour Party cleared the way for its leaders to quit Prime Minister Yitzhak Shamir's coalition government for failing to open peace talks with Palestinians. The party's central committee gave the executive a mandate to take whatever steps necessary to advance peace. Page 6

Politburo resigns
Mongolia's Politburo resigned and Communist leader Jhambyn Batmunkh proposed amending a constitutional clause guaranteeing the party's "leading role". Page 6

Township tension
Tension rose in South Africa's townships after nearly 200 arrests followed the deaths of at least 20 blacks in faction fighting. Six police were hurt. Page 4

Le Pen ruling
The European Parliament lifted the parliamentary immunity of French rightist Jean-Marie Le Pen, opening the way for his possible prosecution over anti-Jewish comments in a right-wing newspaper.

Quayle, Ortega meet
US Vice President Dan Quayle and Nicaraguan President Daniel Ortega met and talked briefly in Santiago, Chile. They were there for the inauguration of Chile's new President Patricio Aylwin.

Angry Iraq reply
Iraq said that an outcry over the death sentence on British-based journalist Farzad Bazoft, 31, convicted of spying was blatant interference and that he had been given a fair trial.

Portuguese strikes
Portuguese train drivers and port pilots began partial strikes over pay claims, disrupting rail and shipping services. Privatisation muddle, Page 3

Soviet troops leave
The first Red Army troops to leave Hungary as part of a historic bilateral agreement to remove all Soviet soldiers by June 30 1991, boarded trains headed for home.

Turks fight terror
Leaders of the three parliamentary parties in Turkey emerged from a meeting committed to a joint fight against resurgent terrorism. Page 3

Haiti leader flees
Former president General Prosper Avril arrived in Florida aboard a US Air Force aircraft two days after resigning. The opposition chose Supreme Court Justice Hertz Trouillot as provisional president. Page 8

Castaways survive
Six Africans cast adrift in a rubber raft from a Cypriot merchant ship reached the Canary Islands after rowing for four days, civil guards there said. Two others died on the trip.

Benin swings right
Benin's new Prime Minister Nicephore Soglo appointed the West African country's first non-communist government in 15 years.

Crash cars burn
At least three people died and 24 were injured in a chain-reaction crash in heavy fog on a bridge at Green Bay, Wisconsin. A fire caused by a ruptured tank set cars on fire.

Marilyn's bequest
A psychiatry centre in London is entitled to one-fourth of Marilyn Monroe's estate and its proceeds, worth millions, a Manhattan court ruled.

Early bird
More than 400 birdwatchers turned up at the crack of dawn at a sewage plant in Essex, Maryland, to get a glimpse of an apparently disorientated Ross's gull, an arctic bird rarely seen south of Canada.

Business Summary

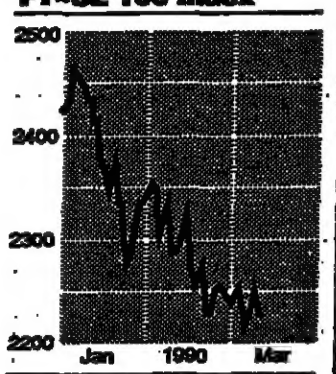
Austria buys interests in North Sea oilfields

OMV, the Austrian state oil company, startled Britain's oil industry when it agreed to pay what was seen as an exceptionally high price for interests in two North Sea oil and gas fields.

OMV is to pay Mobil, the US oil company, at least $200m for a 5 per cent share in the Beryl field, and Conoco $60m for a 14.38 per cent interest in the Dunlin field. Page 20

MARKETS: Uncertainties on the UK political scene – such as the Government doing badly in opinion polls and the poll tax riots – have been reflected in a fall in sterling which has brought a fall in equities. London Stock Exchange, Page 41. Losses in Tokyo, and dull Wall Street performances both on Friday and early yesterday left European bourses mostly inactive and nervous. Back page, section II

FT–SE 100 Index



JAPAN is still the world's most unfair trading nation, a majority of business executives told the 1990 Business Confidence Survey. Page 20

HUNGARY: Inflation reached an annual rate of 22.4 per cent in January, breaking the target set for 1990 both by the IMF and the government. Page 3

WINTERTHUR Insurance of Switzerland announced a major expansion of its US activities with the $630m purchase of a group of property and casualty companies from Reliance Group Holdings. Page 21

MEXICO: Granting of eight cellular telephone franchises, involving a total investment of about $200m and covering the whole of the country outside the federal district, has been announced by the Ministry of Communications and Transport. Page 9

SOUTH Korean Government plans to make companies sell land not directly connected to commercial operations and to use the profits for investment in new technology and improved facilities. Page 4

JAPANESE government officials hope that a Gatt panel ruling against the EC's so-called "screwdriver" law will end the "obvious discrimination against Japan" in the EC's anti-dumping policies. Page 7

TAIWAN'S central bank is to inject T$40bn ($1.5bn) into the island's banking system to ease a severe shortage of funds for loans to small companies. Page 4

GERMAN unity will increase overall economic growth in the European Community to 3.5 per cent next year and 4 per cent in 1992, the European Commission forecast. Page 20

EUROPEAN Commission may take steps to protect its shoe industry against imports from Japan and Korea. Page 7

DSM, Dutch chemicals group, reported 1989 net profits more than doubled from Fl 622m ($327.4m) to Fl 1.38bn. Page 22

CREDIT DU NORD, commercial banking subsidiary of France's Paribas group, nearly doubled its net profits last year to FFr112m ($19.4m). Page 22

Gorbachev struggles to save his constitutional reform

MR Mikhail Gorbachev, the Soviet leader, was last night locked in negotiations with the rebellious republics, to gain approval for sweeping constitutional reforms, including the creation of an executive presidency, writes Quentin Peel.

Just as he was seeking to digest implications of Lithuania's declaration of independence, Mr Gorbachev faced a new revolt yesterday by an alliance of democratic reformers and non-Russian nationalists, who could deny him the legal power to change the constitution.

The political upheaval burst into the open at an extraordinary session of the Congress of People's Deputies, summoned to approve the plan for a new state president – clearly intended to be Mr Gorbachev – and to abandon the Communist Party's leading role.

Last night a planned vote on the new system, for which Mr Gorbachev needs a two-thirds majority, was postponed to allow further discussion.

That was not before the speeches produced the sensation of a furious attack on Vladimir Lenin, sharp criticism of Mr Gorbachev from reformers – and the ignominy of passionate support from the most conservative wing of the Communist Party.

There was disarray among Mr Gorbachev's critics, but equal confusion among his own supporters.

Arguments for the creation of the presidency, to complement the parliamentary power of the Congress, and the revitalised Supreme Soviet, were urgently and persuasively put.

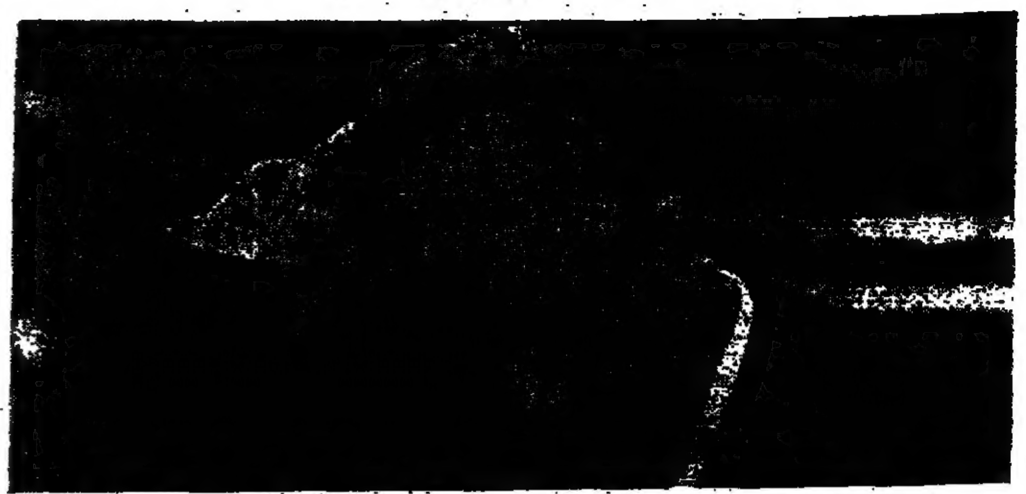
Mr Anatoly Lukyanov, Mr Gorbachev's loyal lieutenant, and Supreme Soviet vice president, said it was an essential reinforcement of state authority, when the Communist Party was being removed from the reins of power.

He formally proposed the removal of the Communist Party's constitutional monopoly, to be replaced by a clause allowing a multiplicity of political organisations.

The presidency would also become the key job in the country, he said, directly elected, presiding over the supreme organs of government, and providing a direct

Continued on Page 20

Soviet leaders refuse to overreact, Page 2; Divorce from Moscow may be painful, Page 2; Mongolian Politburo resigns, Page 6



Soviet leader Mikhail Gorbachev ponders his problems during the Congress meeting yesterday

Leading car makers plan move into East Germany

By Kevin Done in London and Andrew Fisher in Berlin.

VOLKSWAGEN of West Germany and General Motors of the US are planning ambitious car production joint ventures in East Germany, which are expected to develop into two of the biggest investments yet made by western corporations in eastern Europe.

At the same time, Daimler-Benz, the leading West German corporation and world's biggest truck maker, yesterday signed a memorandum of understanding with East Germany, giving it the leading role in modernising the East German commercial vehicles industry.

All three companies are also seeking to play significant roles in reforming the East German automotive components industry. They are planning to set up sales operations and dealer networks in East Germany.

VW and GM (through Adam Opel, its West German subsidiary), the biggest car makers in West Germany, are moving quickly to establish control over the future development of the East German car industry.

● Volkswagen, the leading West European vehicle producer, said yesterday in Leipzig that it hoped to begin small-scale car assembly in East Germany later this year in the first stage of a probable DM5bn ($2.9bn) investment aimed at producing 250,000 cars a year by 1995-96.

It has formed a joint venture with VEB IFA-Kombinat Personenkraftwagen, the East German central organisation for the car industry based in Karl-Marx-Stadt.

It is also setting up a joint venture sales and marketing company with IFA aimed at establishing a dealer network in East Germany for both VW/Audi and for Seat, its Spanish subsidiary.

VW is arranging meetings between its leading West German components suppliers and the East German components industry, which is centrally controlled by the IFA-Kombinat.

Volkswagen is aiming to produce a revamped version of its VW Polo car at Mosel, near Zwickau, where the outdated Trabant is made.

It would begin assembly of cars, probably in September, from SKD (semi knockdown) kits shipped from West Germany at a rate of about 50 a day. In a second stage, from the beginning of 1992, this would be developed into CKD (completely knockdown) assembly of kits shipped from West Germany and Spain rising to about 400 a day or 100,000 a year by the end of 1992.

VW said that it would make available DM350m "at short notice" for the initial investment. The final stage, involving a total investment of about DM5bn, would include building a complete car plant. Production would begin in 1994 at 500 cars a day but would be doubled by 1995/96.

● General Motors, through Adam Opel, has signed an agreement with Automobile Works Eisenach, the producer of Wartburg cars, to establish a joint venture company to plan for assembly and components production.

Volkswagen management board chairman Carl Hahn

GM said that 150,000 Opel cars a year could be produced at Eisenach, depending on the outcome of a joint feasibility study. GM said it was intended that Opel would have majority control of the joint venture, Opel-AWE.

GM is also examining whether it can supply car bodies from West Europe in the short-term to allow local assembly to begin in Eisenach.

It said that it had not yet decided what models would be produced in East Germany, but it is understood that it would probably be the Opel Kadett/Vauxhall Astra.

The joint venture company will be integrated within the Adam Opel purchasing and sales organisations. A group of potential East German Opel dealers met in Rüsselsheim, the Opel headquarters near Frankfurt, at the weekend, and GM said that 38 dealer contracts were signed.

● Daimler-Benz's memorandum of understanding with IFA-Kombinat Nutzfahrzeuge, the East German commercial vehicles operations based in Ludwigsfelde, near Berlin, is aimed at forming a joint venture in light and medium commercial vehicles. This would include development, production and marketing.

Mr Lothar Heinzmann, head of IFA trucks, said he expected Daimler-Benz to start moving to a majority stake once economic reforms in East Germany were completed. "We are thinking in this direction," he said.

Mercedes-Benz, Daimler-Benz's automotive subsidiary, said it hoped for a dramatic improvement in its access to the developing markets of eastern Europe.

Mr Werner Niefer, Mercedes-Benz chief executive, called the signing of the deal a "historic moment" – it is the first western deal with the East German truck industry. He said the company would initially provide cabs for IFA's latest L60 medium-sized truck and help to develop and produce vans and small trucks.

British warning, Page 2; Fast Autobahn to unity, Page 21

Kohl says united elections could be held in 1991

By David Marsh in Bonn

CHANCELLOR Helmut Kohl of West Germany believes that elections for a united German parliament could be held in 1991 as part of the process of merging the two German states, it emerged yesterday.

Mr Kohl, making an energetic effort to counter impressions that he is forcing the pace of German unification, accepts that both Soviet and US troops will remain in Germany at least for several years after unity.

He even suggested that a united German state would be ready to offer forms of support for the stationing of Soviet troops in the eastern part of the country.

Although he is sticking to the basic line that a united Germany will remain within Nato, Mr Kohl sees the chance for wide-ranging changes in the structures of the military alliances over the next decade.

The Chancellor, who at the end of last year believed that unity would come about much later in the 1990s, says Bonn's hand is being forced by the continuing exodus of East Germans to the West.

Emigration totalled 344,000 last year and has amounted to 133,000 since January 1. Unless the trend is stopped, the 1990 flow could top 500,000 by the summer – a figure which is seen in Bonn as likely to wreak irreparable damage.

Mr Kohl, highlighting the likely economic benefits for the Soviet Union of German unification, believes that recent expressions of Soviet support for a neutral or demilitarised Germany do not necessarily reflect Moscow's final policies on the matter.

Over the timetable towards unity, Bonn no longer regards as feasible or desirable all-German parliamentary elections at the end of the year. A few weeks ago, it was thought that the West German federal elections in December might be turned into a vote for a combined German parliament.

Instead, Mr Kohl is now emphasising the need to wait for a series of East German elections, starting with the March 18 poll for the country's first democratic parliament.

Following East Germany's local council elections on May 6, Mr Kohl believes that elections for individual East German states – likely to be resurrected after being suppressed by the Communists in 1952 – could take place this year.

Mr Walter Romberg, leading East Berlin's delegation to talks on monetary union in East Berlin, confirmed in Bonn yesterday that a basic formula of a conversion rate of DM1 for 1 East German Mark had been agreed to secure the value of East German savings deposits.

Bonn, however, emphasises that larger sums of Marks will be exchanged into D-Marks only over a gradual period to prevent inflationary pressures.

German unity 'will increase' EC growth, Page 20

Securities firms win concession on draft capital adequacy rule

By Lucy Kellaway in Brussels and Richard Waters in London

THE European Commission has significantly revised a draft proposal on the capital backing of investment firms, following warnings by the UK securities industry that proposed rules would have driven business out of the Community.

The UK securities industry had argued that unless the draft was changed it would put some of its members out of business. It said the planned rules would have imposed an uneccesarily high cost on securities companies and would have deflected business from the Community to Tokyo or New York.

The latest version of the draft has removed the industry's central objection over the requirement for traders to put up capital to cover their gross securities positions regardless of whether they had reduced their exposure through hedging or diversification.

A Commission official yesterday stressed that the fifth and latest draft proposal, which is being circulated among the industry and member states for discussion, has yet to be finalised. The draft is due to presented to the Commission by the end of April, before being put to member states.

However, the short time left to finalise the draft suggests that any further changes will be in detail only, and will not match the significant changes in principle that have taken place since the fourth draft of the paper at the end of last year which so antagonised the UK securities industry.

The text contains other important changes which may make the rules less onerous for small firms. Companies that only provide investment advice would be made exempt from the capital rules, whereas brokers that did not take positions would only have to put up Ecu100,000 ($119,000) as an initial capital requirement rather than the Ecu500,000 previously envisaged. An amendment has also been introduced that would reduce the cost of carrying unsettled bargains.

The suggested alterations will be highly unpopular with West Germany, which already felt the previous draft was too lax. However, the Commission, which is sensitive to the complaint that it leans too far towards the interests of the UK securities industry, has not met the British demands in full. In particular, it does not appear to have bowed to the UK demand that securities firms should be able to use short term debt as a part of their capital – as is current practice in the UK.

At the suggestion of West Germany, a new provision has been included to help smooth out the inequities between independent securities firms and those that are departments of large banks.

Under the new version, member states would be allowed to exempt the trading departments of banks from qualifying with the more onerous banking solvency ratios, and subject them to the more flexible capital adequacy rules instead.

Libra Bank to wind up its affairs, Baring's first results, Page 21

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Man with a mission to liberalise US trade policy

Congressman Sam Gejdenson, who heads the panel charged with reform of US export controls, is fighting hard to make sure the US will not be the only country not doing business with eastern Europe
Page 7

MARKETS

STERLING
New York close
$1.6115
London:
$1.6110 (1.6185)
DM2.7550 (2.7575)
FFr9.3150 (9.3275)
SFr2.4525 (2.4475)
Y245.50 (254.00)
£ Index 88.3 (88.6)

GOLD
New York: Comex Apr
$
London:
$(399.25)

N SEA OIL (Argus)
Brent 15-day
$(18.85)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.7137
FFr5.7925
SFr1.5265
Y152.675
London:
DM1.7100 (1.7040)
FFr5.7825 (5.7625)
SFr1.5235 (1.5115)
Y152.35 (151.30)
$ Index 88.5 (88.3)
Tokyo close: 152.00

US Lunchtime Rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills: yield: 8.23%
Long Bond: $98\frac{13}{32}$
yield: 8.61%

STOCK INDICES
FT-SE 100: 2,222.8 (−11.5)
FT Ordinary: 1,751.8 (−12.0)
FT-A All-Share: 1,105.46 (−0.5%)
New York close
DJ Ind. Av. 2,686.71 (+3.38)
S&P Comp 337.46 (−0.47)
Tokyo: Nikkei 33,368.23 (−624.89)

LONDON MONEY
3-month Interbank: closing $15\frac{3}{8}$ ($15\frac{7}{16}$)
Liffe long gilt future: June $82\frac{1}{16}$ ($81\frac{3}{8}$)

German unity talks: Hurd adopts firm line during meeting in Bonn

British warning over EC and Nato fears

By David Marsh in Bonn

BRITAIN foresees "tough" discussions on protecting European Community members from subsidised East German goods after unification of the two Germanys, Mr Douglas Hurd, the UK Foreign Secretary, said in Bonn yesterday.

This would also apply to East German agricultural and fishery products, he said - underlining fears among some British officials that German unification might hold up efforts to cut back further on EC farm price support.

Speaking after talks here on German unity with Chancellor Helmut Kohl and Mr Hans-Dietrich Genscher, the Foreign Minister, Mr Hurd said that he was now more confident than at the beginning of the year that Germany was making "orderly progress" towards unity.

He said he was satisfied with last week's West German undertaking on the validity of the post-war Polish border with Germany. However, Mr Hurd stressed Poland's right to participate in forthcoming international negotiations which touched on the question of its western border.

Over East Germany's future adherence to the conditions of EC membership, Mr Hurd noticeably softened comments at the end of last year in which he emphasised East Germany would shed its command economy only after a long period. After unification, the eastern part of Germany would need a series of "transition periods" before it was fully integrated into the European Community, he said yesterday. But this interim phase would need to be as short as possible.

During this post-unity period, East Germany would need derogation from Community laws in areas like aids for industry, competition and the environment, he said. At the same time: "The rest of us will need protection from entry into our markets of subsidised German goods."

Mr Hurd repeated that continued German membership of Nato was of "crucial importance" and said that the future of the alliance was his "main concern" in the present bout of talks on German unity.

After the East German elections next Sunday, the route towards unity would be "in the hands of elected governments and parliaments" in the two German states. He stressed "the need for a bit of time" in carrying out the unification process.

However, he stated that, with tomorrow's start of meetings here between the two German states and the four victor powers of the Second World War, he was now more optimistic about finding the right international framework.

Chancellor Helmut Kohl greeting Mr Hurd in Bonn yesterday ahead of the "two plus four" talks

New Forum proposes social charter

By Leslie Colitt in East Berlin

NEW FORUM, the East German opposition group, yesterday proposed a new constitution which would protect the social security of citizens which it sees as threatened by German unification. Ms Barbel Bohley, the heroine of New Forum, said yesterday that she is worried by the relentless drive toward reunification.

The constitution proposal was made at the last session of the Round Table set up last December to control the interim government of Mr Hans Modrow, the Communist Prime Minister. "We want a social charter of rights as a negotiating point with the Federal Republic," Ms Bohley said. "If social security is abolished it can lead to great tensions here."

She was worried that unemployment would soar, especially in small towns where obsolescent state factories would be shut down without attracting new investments from West Germany.

"I am particularly concerned about an upsurge in right-wing extremism," she said. Ms Bohley said East Germans after 40 years of Communist rule were unprepared for the hard work and competition which the market economy would bring.

East Germany had become a society of "social welfare recipients" who wanted to be given DM600 (£214) a month.

She said she was bitter about the way "One German Fatherland" had become the latest political slogan. "We did not have five minutes to think about our lives before they came with their DM's," she said.

Soviet leaders refuse to over-react on Lithuania

By Quentin Peel in Moscow

SOVIET leaders yesterday refused to over-react to the declaration by the republic of Lithuania of its effective secession from the USSR, although Mr Mikhail Gorbachev warned that the moves appeared "rather alarming".

Both General Boris Gromov, the former Soviet military commander in Afghanistan, and Mr Yegor Ligachev, the leading Communist Party conservative in the ruling Politburo, flatly ruled out any use of force to bring the rebellious republic back into line, insisting that only political negotiations were possible.

The Soviet leader said at the opening of the Congress of Peoples' Deputies in Moscow yesterday: "Information we are getting from there is rather alarming.

"The information that we have received indicates that the decision adopted there affects the vital interests of the republic, of the people there, and of our entire state." Speaking outside the assembly, Mr Ligachev said that the whole question of Lithuania would be settled "by political means".

"Tanks do not help in this sort of situation," he said. The same dismissal of any armed intervention came from General Gromov, the most popular commander in the Red Army, now in charge of the Kiev military region. "We are a civilised nation," he said. "We will not use force."

In Eastern Europe, Mr Lech Walesa, the head of Poland's Solidarity movement, yesterday moved quickly to greet Lithuania's declaration of independence "with joy", but the Warsaw Government refrained from comment while it considered its reaction to the development.

For Western powers, recognition or otherwise of the Lithuanian decision provides a major headache. Most have never recognised Lithuania's incorporation into the Soviet Union (along with neighbouring Estonia and Latvia), and must therefore now decide whether they will stand by their legal attitude.

Sweden, one of the few Western states which did recognise the move in 1940, yesterday defended the "Lithuanian people's legitimate right to self-determination".

But at the same time it stressed that it should be realised in accordance with the principles and spirit of the Helsinki declaration.

Peter Riddell adds in Washington: The US has urged the Soviet Government to respect the vote of the Lithuanian parliament to restore its independence, though has stopped well short of formal recognition of the separate republic.

The Bush Administration believes that the Lithuanian people can only really achieve independence after gradual negotiations with Moscow and that any outspoken statement from Washington would be counter-productive while possibly undermining the position of Mr Gorbachev at a particularly delicate time for him.

Cost of divorce from Moscow may be painful and expensive

Quentin Peel looks at the complexities behind the euphoria

THE Baltic republic of Lithuania was yesterday celebrating its decision as the first Soviet republic to demand outright independence from the USSR, but behind the nationalist euphoria is a grim realisation that unscrambling the relationship will prove complex and painful.

Thanks to the peculiarities of the Soviet planning process, even the most far-flung parts of the economic empire are inextricably integrated into the rest of the system. In addition to the economic ties, however, Lithuania also faces real problems in dealing with its substantial, if secretive, Soviet defence establishments, how to deal with migrant workers wishing to leave, and what to do about sensitive border areas with significant minority populations.

In spite of the fact that the demand for independence has been under active discussion for the past 18 months, there has been little precise debate on how to break the ties. Most discussion has been propagandistic, with Soviet officials stressing the difficulties, and Lithuanians insisting on the possibilities. Mr Mikhail Gorbachev's reported threat to demand compensation of up to Rbs21bn, made at a meeting with Mr Algirdas Brazauskas, the Lithuanian Communist Party leader, certainly appears simplistic.

The calculation, reported by Lithuanian radio, was that central Soviet investments were worth about Rbs17bn, and in addition Lithuania "owed" the rest of the Soviet economy some Rbs4bn in under-production in the five-year plan. It seems highly questionable to attempt to calculate whether any one part of the Soviet Union has somehow received more than its share of investment than other parts.

The problem is that all Soviet enterprises are state enterprises, and all investment is centrally budgeted and sanctioned. Even on the Lithuanian side there seems to be an assumption that Soviet ventures should be nationalised, rather than allowed simply to continue functioning as Soviet ventures in an independent Lithuania.

However, at the weekend Mr Yuri Maslyukov, the chairman of Gosplan, the state planning committee, a deputy premier and junior member of the Politburo, came out with rather more solid figures, although they still belonged to the school of compensation, not

They would be prepared to keep Soviet bases rather than delay the process of secession

negotiation. He stressed that Lithuania had been an overwhelmingly agricultural economy when it was taken over in 1940, and had benefitted from heavy industrial investment ever since.

According to the highly questionable Soviet statistics, manufacture of industrial products in the republic between 1940 and 1990 increased 84 times, he said. He calculated that the total investment in state enterprises financed from Moscow in Lithuania which might be subject to "compensation" was between Rbs5.5bn and Rbs5.7bn.

Possible post-independence options he cited include Lithuania buying property from the Soviet Union, or renting it, or allowing the enterprises to be demolished and rebuilt in other parts of the country.

He also considered the Soviet organisation continuing to operate plants on a contract basis, or finally organising joint production. Among the enterprises in question he cited the Elfa electronic engineering plant in Vilnius, with relations with "790 consumer organisations and 520 supply organisations" in the rest of the Soviet Union, with planned investments of Rbs12.3m from central funds in the current five-year plan, and some Rbs9m allocated in foreign currency.

He also mentioned the sensitive issue of 24 defence industry plants, suggesting that the Soviet authorities would scarcely be prepared to leave such investment behind them.

The actual number of Soviet troops and naval personnel in Lithuania is a state secret, and on that score the Lithuanians say that an extended withdrawal period should be negotiated. They would be prepared to keep the bases in an independent Lithuania, rather than delay the process of secession.

However, another difficult problem is Lithuania's borders, if the republic is to go back to its pre-1940 situation: before Soviet annexation, Vilnius had been a Polish city, and part of the present-day republic was actually in Belorussia. The question is whether the population of any of that territory would want to be in an independent Lithuania, or still in the Soviet Union.

The Soviet side is also emphasising the need to provide compensation for any Soviet citizens who want to return to the USSR.

The very fact that the Soviet authorities have suddenly produced a string of statistics on the economic ties looks quite as much like the opening shots of a negotiating process, as the hostile warnings of a superpower determined to nip the secession process in the bud.

EUROPEAN NEWS

Budapest fails to keep to IMF's limit on inflation

By Nicholas Denton in Budapest

INFLATION in Hungary reached an annual rate of 22.4 per cent in January, breaking the target set for 1990 both by the IMF and the government.

After the last budget reduced food and other subsidies, prices rose by 7.7 per cent in January alone to push inflation up to levels not seen since the hyper-inflation which followed the Second World War. Inflation has risen steadily since 1986 when it was around 5 per cent.

With February's figures likely to add to the rate and underlying inflationary pressure in the economy remaining strong, the government's aim to keep the annual increase below 20 per cent now looks unrealisable.

The financial authorities have tended to be optimistic about price levels: 1989's year-on-year price growth of 17 per cent exceeded the planned amount by up to 5 per cent.

State price rises this year which took effect in the first two months point to a 1990 inflation rate of 30 per cent. Liberalised prices, which cover up to 85 per cent of production, will probably lag a little.

Even so, and assuming no further acceleration of inflation, Mr Gaspar Shath, head of the prices section at the Central Statistical Office, predicts the year end figure will be at least 25 per cent, which could imply a drop in real wages and provoke industrial discontent.

Hungarian economists blame the uncontrolled expansion of credit for the speeding up of inflation.

Despite the government's restrictive monetary policy bank credits to companies expanded by 16.5 per cent last year. In addition, insolvent companies turned to each other for what the Hungarians call "grey credit".

Many companies are simply not interest rate sensitive, according to Mr Bela Kadar, head of the Planning Institute. The "bridge" group of opposition economists, who will be influential after this month's free elections, holds that bankruptcy for insolvent companies is the only solution to this problem and to the explosion of credit.

Populist politicians and some economists also criticise the failure to dismantle monopolies before liberalising prices, particularly those of food. The Hungarian Democratic Forum, the main conservative opposition party, has proposed a price freeze on basic foodstuffs until the new government is formed.

Some of the party's leaders, with a view to elections on March 25, have called for a straightforward price freeze.

Dissident Hungary now opts to conform

Being like the West replaces being different from the East, writes Judy Dempsey

AFTER years of trying to be different when compared with their socialist allies, Hungarians are now trying to be the same – this time compared with European-style democracies.

Indeed, The country's first free election in 40 years on March 25, has about it an air of quite unspectacular normality.

Television debates among the main political parties are meticulously timed. A clock ticks away as the candidates argue their case. In the spirit of fairness, no one is allowed an extra second.

The campaign, which is being contested by 35 parties, many of which will be eliminated in the first round, has not degenerated into a slanging match, as was feared at first. It is all very respectable, just like many a western election campaign.

The leading party hoping to form a coalition is the Alliance of Free Democrats. It grew out of the hard core of dissidents which during the 1970s and 1980s continually pestered the ruling Communist Party.

People such as the quiet and intense Mr Janos Kis, president of the Free Democrats, and the youthful Mr Gabor Demszky, who spent the past decade having their *samizdat* newspapers confiscated by the authorities, provide the party, whose power base is among the intellectuals in Budapest, with its intellectual engine.

But they also inherit the mantel of the urbanists, a group of mainly Jewish intellectuals who, during the inter-war period, argued that Hungary's political and economic future rested in western Europe, not central Europe.

This westward looking philosophy is the backbone of the Free Democrats' election campaign. For them, there is no middle or third way between capitalism and socialism. Hungary must have a market economy, it must have strong democratic institutions and it must open completely to the west.

The party's main rival, the Hungarian Democratic Forum, is almost its antithesis. It has its power base in the provincial towns and part of its legacy stems from the populists, a group of nationalist-inspired Hungarians of the inter-war period who shied away from the west on the grounds that it would dilute the sense of Hungarian identity and nationhood.

The HDF wants western capital to flow into Hungary but it must be controlled. In addition, the HDF's nationalist wing which regularly comes into conflict with the liberal wing, harbours anti-semitic sentiments.

Mr Jozsef Antall, the lacklustre but ambitious leader of

Antall: cool on nationalism

the HDF has attempted to temper the nationalist wing as he tries to project a party which he believes is imbued with Christian liberal values.

very The Smallholders party is almost certain to hold the balance of power. This was the party which in the 1945 elections won a staggering 57 per cent of the vote despite rigging by the Communists.

Today, the party, led by Mr Istvan Prepeliczay, reckons it can obtain at least 16 per cent of the votes, only three points behind the Free Democrats and the HDF.

The party's roots are deep in the countryside where the older generation remember all too well how their land was confiscated after the communist takeover.

In an attempt to woo them back to their natural political constituency, the Smallholders have promised to return to their original owners all the land seized by communists. However, they avoid being specific about the economic price for such promises.

The Free Democrats and the HDF will, therefore, have to confront this issue if either party chooses to seek the Smallholders as a coalition partner.

Unless of course, the two main parties bury their differences and opt for a coalition government between themselves.

"We may be constrained into going into coalition with the HDF," says Mr Kis, "because arithmetically we might have to choose them or else the country might become ungovernable."

Compromises would have to be made. The Free Democrats point out that under their economic programme which entails closing unprofitable enterprises, unemployment in the transitional period could reach 450,000, then level out to about 100,000.

The HDF is much more cautious about the pace of economic reforms because its underlying philosophy is populist and more conservative.

But in reality, there is not much room for watering down any economic reforms because of the economic crisis bequeathed them by the Communists.

Under the new name of the Hungarian Socialist Party, the Communists will be lucky to obtain 8 per cent of the vote, despite the popularity of some of their leading figures.

These include Mr Gyula Horn, the foreign minister, Mr Miklos Nemeth, the Prime Minister and Mr Imre Pozsgay, who in particular propelled the party towards reform but who did not contain the economic problems.

Saddled with a US$21bn debt, a 23 per cent (and rising) inflation rate, and an obsolete heavy industrial sector, any new government will have to make fast and firm decisions to make industry more competitive and bring down inflation.

Hungarians are worried about the prospects of instability, social unrest and uncertainty, but, deep down, they know the next government will, at last, be a non-communist one.

How long the honeymoon period of support for a new government can be sustained depends on the harshness of any austerity measures, a factor Hungary shares with the other emerging governments in eastern Europe.

Anti-terror coalition in Turkey

By Jim Bodgener in Ankara

LEADERS of the three parliamentary parties in Turkey emerged from a meeting yesterday committed to jointly fight against resurgent terrorism.

It was the first such conclave on the subject in the history of the Turkish republic, a measure of the seriousness with which the worsening situation is viewed.

The leader of the main opposition Social Democratic Populist Party (SHP), Professor Erdal Inonu, and of the True Path Party (DYP), Mr Suleyman Demirel, predictably said that early general elections were the only solution.

On Sunday, a special swat squad abruptly ended a 16-hour siege in Istanbul of a Revolutionary Communist Party terrorist holding three hostages, seriously wounding him. Two alleged accomplices were arrested.

Eight more arrests in Istanbul followed. The killing last week in Istanbul of a well-known columnist and member of the board of the mass-circulation daily newspaper, Hurriyet, Mr Cetin Emec, had raised fears of an organised campaign of destabilisation. The government blames external forces.

Portugal's privatisation may be unconstitutional

By Patrick Blum in Lisbon

A BUREAUCRATIC muddle over the wording of Portugal's recently approved new privatisation law threatens to delay by several months the government's ambitious denationalisation programme.

According to constitutional experts, the wording of a clause introduced by members of the ruling Social Democratic Party (PSD) to ensure that the regional governments in Madeira and the Acores are consulted over the privatisations of local state-owned companies, may make the whole law unconstitutional.

Experts say the clause, meant as a formality, can be interpreted as effectively compelling the central government to consult and accept recommendations from the regional administrations, thereby weakening the central government's jurisdiction over the whole Portuguese territory.

Initial doubts about the law were raised in Parliament by the Communist Party which opposes privatisation.

The party's warnings were dismissed at the time as being politically motivated, but closer official examination after the law had been approved by Parliament confirmed the doubts.

Embarrassed government officials have refused to comment.

And as is the practice, the law which was passed early last month, has been sent to Mr Mario Soares, Portugal's President, for formal ratification. But doubts about its constitutionality are expected to force the President to send the law to the Constitutional Tribunal.

The Tribunal then would have to decide whether or not the law must be redrafted and presented again to Parliament, delaying privatisation by up to three months.

Liège considers art for the bank's sake

Lucy Kellaway on harsh reality of a Picasso's fate

THE melancholy family of a Spanish tailor, painted by Picasso in 1903, could never have known the storm they would cause one day in a far-away Belgian city.

The painting of the Soler Family – which at today's crazy art prices may be worth over BFr1bn (£17m) – is one of the most valuable assets of the near-bankrupt city of Liège.

The city has barely enough money to run its hospitals, and its museums have had to give up the luxury of opening at all. The plan, thought up by one of the city councillors, is to sell the painting, and use the money to save Liège from complete cultural collapse.

The response has been near-hysterical, and to judge by Le Soir, Belgium's foremost French-language newspaper, the very standing of the country is at stake. The sale, it seems, is deplored on political, moral, historical, cultural, pragmatic and legal grounds.

On purely financial grounds, however, it might seem a good idea to cash in what must be among the best investments ever made in art. In 1939, Liège paid just BFr5m for a job-lot of eight paintings, including a Chagall, and a Gauguin. Just one of those paintings may be worth 1,000 times what it cost, and the interest on the proceeds could turn Liège into the finest cultural city in Wallonia.

The historic circumstances of the purchase have been invoked to stop the sale. In 1939, Liège was cast as the hero saving some of the art classified as "degenerate" by Hitler. Even in those days, the city did not have much money, and its purchase – made with the help of numerous rich benefactors – was meant to send out a moral signal of support to the persecuted artists.

It is now argued that not only would the sale would be a travesty, it might also be illegal.

As usual in Belgium, the issue has run into tedious squabbling between the regional bodies and the town council. The politicians of the French community are violently opposed to the sale, mainly on the grounds that they are powerless to stop it.

Even though the French community usually has a say on cultural matters, as the picture belongs to the town, it is up to the town to decide.

The museums argue that the sale is unnecessary: by charging a bit more to get in and by selling more postcards, financial ruin can be avoided.

Meanwhile, the general creditors of Liège, still unpaid after last year's brush with bankruptcy, are wondering if they do not have first claim.

The council must decide later this month. The case is being presented as a choice between financial and moral bankruptcy.

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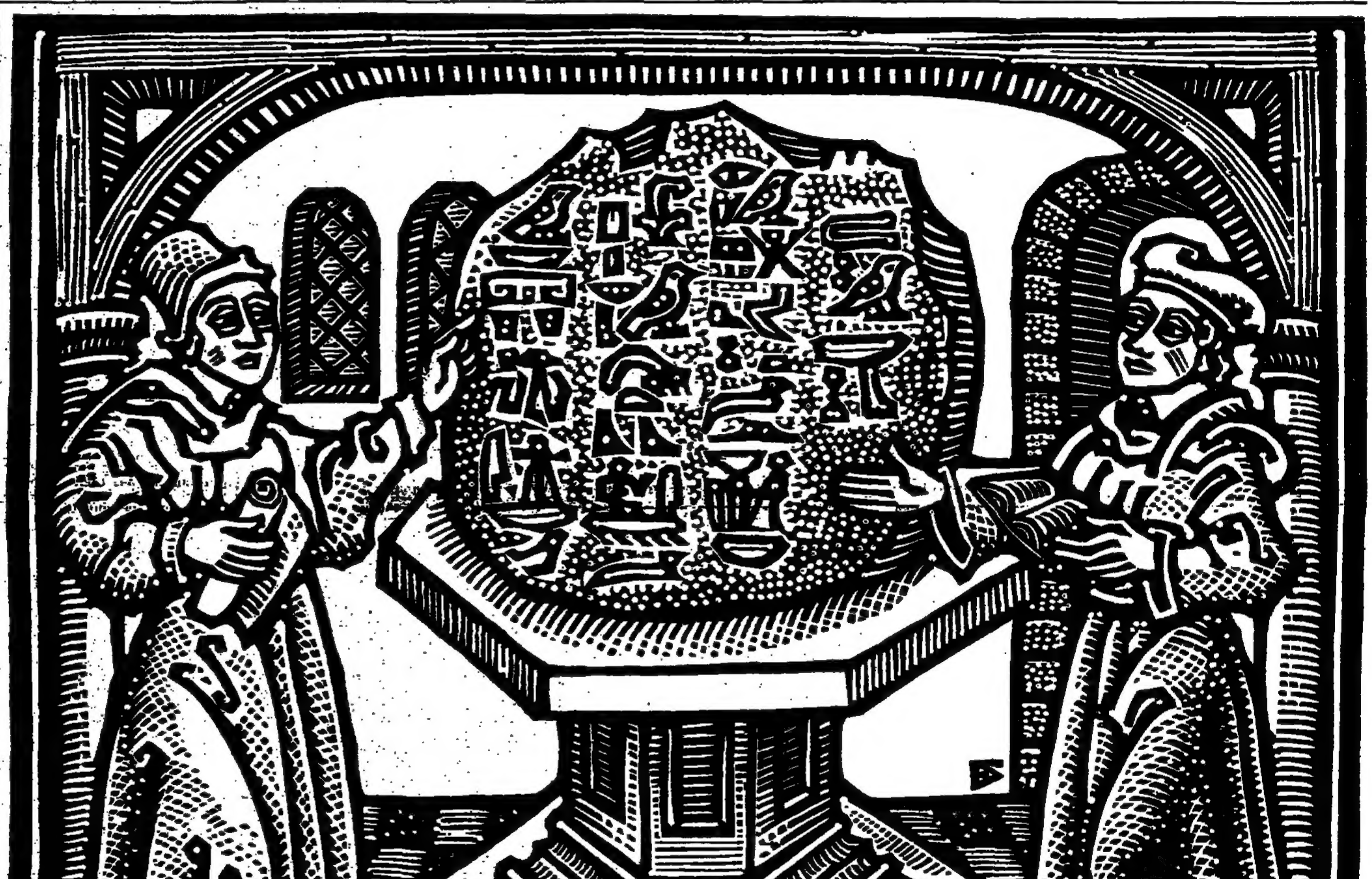


South African police detain 150 in new crackdown

TENSION gripped black townships yesterday after police detained about 150 people in a crackdown on South Africa's worst unrest in four years, Reuter reports from Johannesburg.

Security sources said the weekend detentions in three out of four provinces had caused a drop in six-week-old violence that has cost 200 lives in townships and black tribal homelands.

Just under 150 black people were detained in Natal, Transvaal and Orange Free State for criminal activities such as looting and arson, helping to push unrest incidents down to 20 on Sunday from 105 on Friday.

"Since the arrests of troublemakers started the unrest has taken a tremendous dip," one of the sources said.

The independent Human Rights Commission said it had recorded 69 arrests since the crackdown began in a dawn swoop on Friday but news of more detentions was coming in continuously. Some of the arrests were of political activists, it said.

Black people had been taken into preventive detention under three-year-old emergency regulations to curb a wave of killing, bombing and looting that have been taking an average daily toll of six lives in recent weeks, the sources said.

Police yesterday reported only two deaths in the past 24 hours.

At least 17 people were shot, hacked or burned to death in weekend violence as black youths around the country attacked the homes of black policemen and municipal officials, widely seen as agents of the white minority government.

Many of the gun, rock and petrol bomb attacks were dealt with by police firing shotguns, pistols, rubber bullets or tear gas. Patrick Lekota, senior official of the United Democratic Front (UDF) anti-apartheid group, denounced widespread looting. Looters "are enemies of the people and have to be identified," Lekota told state television.

Some of the 10 homelands have been brought to a standstill by demonstrations demanding reincorporation into South Africa and an end to the apartheid policy of dumping blacks in tribal territories whose rulers are seen by many as puppets of Pretoria.

Taiwan to put $1.5bn into island's bank system

By Peter Wickenden in Taipei

TAIWAN'S central bank is to inject T$40bn ($1.5bn) into the island's banking system to ease a severe shortage of funds for loans to small companies.

Thirteen state-owned domestic banks will be able to apply for short-term loans using central bank-issued negotiable certificates of deposit as collateral. The cash shortage should ease when most of the CDs mature in May, said the central bank.

The central bank pumped a huge amount of money into the economy for Chinese New Year wage bonuses in January. Now, local and foreign banks are waging an interest-rate war in an attempt to soak the liquidity up again.

Cash is moving in and out of the stock market with successive rumours of further political instability to such an extent that the foreign exchange market was described on Saturday as "hectic and speculative."

The central bank recently demanded that domestic banks monitor loans more closely as many companies obtain legitimate short-term loans then use the money to speculate.

South Korea plans forced sale of surplus land

By John Ridding in Seoul

THE South Korean Government plans to make companies sell land not directly connected to commercial operations and to use the profits for investment in new technology and improved facilities.

The measures are part of a radical restructuring of land ownership aimed at undermining property speculation and reducing the concentration of land holdings in South Korea. The 30 largest business groups control almost 430m square metres of land, according to government figures, with a book value of about Won10,800bn ($15.39bn). This figure includes much unused land and represents an increase of 70.2 per cent in value since the end of 1986.

Under the measures disclosed yesterday, businesses which fail to implement the reforms may be liable to credit restrictions. The scale and timing of the restrictions has yet to be decided.

Action on land ownership has been prompted by rising rents and growing disparities in incomes. Under laws passed at the end of last year, the Government will be able to raise taxes from increases in property value. Land will be valued every three years and the increase in the value will be taxed. In addition, limits are to be placed on ownership of land in the country's six largest cities.

The reforms are highly controversial. Large business groups, or *chaebol*, which dominate the Korean economy have lobbied strongly for a delay in implementation and for an increase in permitted ceilings. Advocates of the reforms claim that property speculation has prompted sharp rent increases and exacerbated South Korea's acute housing problem.

Despite the laws being passed, whether the proposals are implemented remains uncertain. Analysts argue that the formation of a new ruling coalition earlier this year, which gives the Government a two-thirds majority in the national assembly, has strengthened the influence of the *chaebols* which may get the reforms shelved. Advocates of the reforms also argue that there are loopholes in the planned legislation, including problems connected with the registration of land holdings.

Kim Il Sung may soon hand over power to his son

By John Ridding in Seoul

THE TRANSFER of power in North Korea, from Kim Il Sung to his son, Kim Jong Il, appears to be gaining pace. A series of developments has prompted speculation that the elder Kim, now aged 78 and the world's longest serving ruler, may be poised to hand over the presidency, perhaps as early as next month.

Most analysts believe Kim Il Sung will continue to wield effective control until his death. Nonetheless, the promotion of his son to President would represent an important step toward the first hereditary succession in a communist regime and epitomise the extent to which Pyongyang remains isolated from the wave of reforms sweeping much of the communist world.

Speculation concerning an acceleration in the succession has been prompted by several recent developments:

- Elections to the Supreme People's Assembly, North Korea's parliament, have been brought forward by more than six months and will now be held on April 22. Analysts interpret this as an indication that the assembly, which elects the President of North Korea, is to be organised under the leadership of Kim Jong Il.
- It has recently been announced that Mr Jiang Zemin, the General Secretary of the Chinese Communist Party, is to visit Pyongyang later this month. This is seen as an opportunity to reaffirm ties before the succession.
- Chinese officials are reported as saying that they were informed in mid-February that Kim Il Sung was poised to complete the transfer of power.
- In recent North Korean broadcasts, Kim Jong Il has been referred to as the "Great Leader", a term usually reserved for his father. In addition, North Korea watchers in Seoul say there has been an unusual frequency of military functions pledging allegiance to the younger Kim.

Kim Il Sung is expected to retain his position as General Secretary of the Communist Party, and will remain the decisive influence behind the scenes. Analysts believe he will exercise a similar role to that played by Deng Xiaoping in China.

His continuing influence should guarantee the succession of the younger Kim. But it is thought Kim Jong Il's position will be much less secure after his father's death.

"The son does not command the respect that his father does," says one observer. "He is likely to face opposition, particularly from the younger generation of military officers who have been educated abroad."

The need to secure the succession while Kim Il Sung is alive is one reason for the elevation of Kim Jong Il. But the timing of the move may also have been determined by the dramatic changes which have swept eastern Europe.

But the changes in eastern Europe lead other observers to different conclusions. "It is too risky for Kim Il Sung to reduce his authority now," argues Mr Kim Chang Soon of the private North Korean Studies institute. "He has no intention of relinquishing power."

Most analysts agree that there is little prospect of change in Pyongyang until the death of Kim Il Sung. "He has seen the danger of starting a process of reforms," says one diplomat. "Events in China, in particular, will have made a big impact on Pyongyang."

Madagascar's rice: a symbol of island decline

Samantha Weinberg examines a Marxist economy's fortunes

"RICE," they say in Madagascar, "is politics." It's not simply because 80 per cent of the population is involved to some extent in growing the grain, and eats it at every meal, consuming more per head than any other nation. Rice is the symbol of the island's decline.

Once a net exporter of the grain, the East African island became a substantial importer, a decline which began in 1972, the year Madagascar's socialist revolution got under way. The story of the island today is the Government's battle to put right the disastrous policies of the 1970s.

When the Marxist Government took power in 1972 one of its first steps was to nationalise the rice trade, fixing prices and taking over the export business. Production fell away, and from a peak in net exports of 64,000 tonnes in 1968, Madagascar was importing 350,000 tonnes by 1982.

The next year that the Government called in the International Monetary Fund and the World Bank in an attempt to pull Madagascar out of the economic doldrums.

It is far from clear whether the structural adjustment battle is succeeding in what has become one of the fifteen poorest countries in the world, with per capita income below $200 in 1988, and a minimum wage of just over $12 a month.

The streets of the capital, Antananarivo, are crammed with work seekers from the countryside. On every corner, painfully thin children beg in order to survive. The 1980s have been described as a nightmare decade for Madagascar, and the 1990s offer little prospect of relief.

The 11m population of the fourth largest island in the world (nearly 1,000 miles long and up to 350 miles wide) are a mixture of African and Malayo-Polynesian in origin, and speak Malagasy – a language most closely related to Indonesian – and French.

When President Didier Ratsiraka came to power in 1975 he followed policies of nationalisation of all main industries, price and trade controls and subsidisation of consumer products. The incentive to produce was removed, many of the new state-owned corporations ground to a halt, and GDP fell each successive year.

The attempt to repair the damage began in 1982, with a reform programme that included devaluation of the Malagasy Franc, coupled with import liberalisation, which brought a wider selection of goods into the shops, but often out of reach of all but the elite.

At the same time, there was an attempt to privatise the main state owned industries, most of which were inefficient.

By the end of 1988, procedures for the liquidation of 14 out of the total of 170 public enterprises, and disinvestment from seven others, had been initiated.

Most controls on exports were lifted and whilst the collapse of international coffee prices hit Madagascar's biggest export earner, the value of exports rose in 1989. However so did that of imports, widening the trade balance to an estimated $32.7m and the current account deficit to $330m.

Most importantly, the rice growing industry was liberalised in 1986, prices were freed from the previous Government set level, and immediately doubled.

The Government is hoping to achieve self sufficiency in rice production this year, although observers regard this goal as optimistic.

Supporters of the economic reform programme point to the relative prosperity of the sixty per cent of rural rice farmers who sell any excess production, and who have benefitted from the rise in producer prices.

But the impact of the increasing cost of this staple food is hard on the growing urban population. The UN reports an increasing incidence of malnutrition and diseases such as leprosy and tuberculosis are rife in the city slum areas.

Supporters also point to the fact that the programme has brought some tangible benefits. IMF and World Bank endorsement of government policies boosted aid flows in an era when external assistance is increasingly linked to domestic reforms. Although the burden of debt was expected to have reached nearly $3.6bn in 1989, favourable rescheduling agreements - including France's cancellation of all outstanding debt - have meant that aid flows continue to be positive.

The Government and the World Bank have hailed 1989 as the turning point. Official figures claim a 4 per cent growth in GDP, exceeding the growth in population estimated at around 3 per cent, for the first time in 15 years.

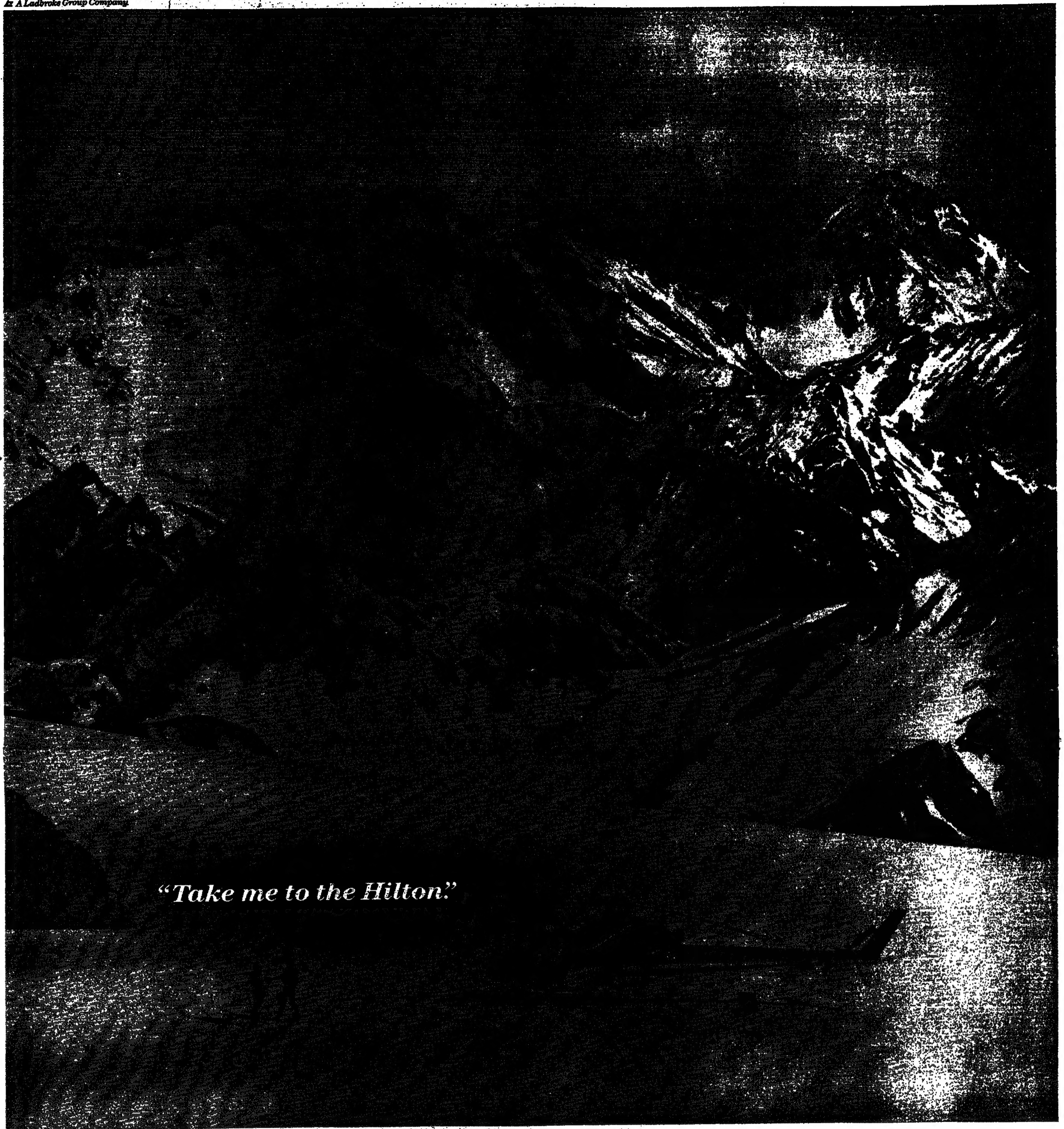
Much of the growth, however, was on the back of an 11 per cent rise in rice production, and this figure was itself misleading, for it compares with levels achieved in 1988 and 1987, both bad harvest years.

Continued improvement in the agricultural sector, growth in fishing activity (Japan has just started importing Madagascan prawns on a large scale), a possible start in the mining of ilmenite, and tourism are being touted as the engines behind continued growth, together with the supposed incentives offered by the new Investment code, although there is still uncertainty surrounding the repatriation of profits overseas.

But the attractions to foreign investors of a country with a weak infrastructure and an inefficient, often corrupt bureaucracy, are limited.

Tourism, with approximately 40,000 visitors last year, has reached capacity level - at least until the virtual air monopoly held by Air Madagascar is lifted, and the potholed and limited road network improve.

The Government continues to talk of the island's "potential" and the World Bank has reaffirmed its commitment to Madagascar, while the IMF in a recent report described the country as "a good pupil". But given the island's continuing economic difficulties, their criteria, it seems, must have been based more on obedience than performance.


"Take me to the Hilton."

Mongolia's politburo resigns

MONGOLIA'S ruling politburo has resigned and Mr Zhambyn Batmunkh, the communist leader, has proposed amending the constitutional clause which guarantees the party's "leading role", the East German news agency ADN said, Reuter reports from East Berlin.

In a report from the Mongolian capital Ulan Bator, ADN said the entire politburo and the secretariat of the policy-making central committee had quit under pro-democracy pressures at a special session of the committee.

Mr Batmunkh said he would ask parliament on March 21 to amend the part of the constitution describing the party as "the vanguard and the leading power" of state organisations.

Mr Batmunkh also proposed an emergency session of the Great People's Hural, or parliament, and *said elections originally* scheduled for 1991 should be held this year, ADN reported.

In a report to the central committee meeting, he called for a strict separation of party and state functions in Mongolia.

The government was ready to cooperate with new opposition parties and movements to draft a new constitution that would be submitted to the people for discussion, Mr Batmunkh said.

Share-hungry Nigerians lose their appetite

A fumbled start to privatisation threatens to stall it, writes Nicholas Woodsworth

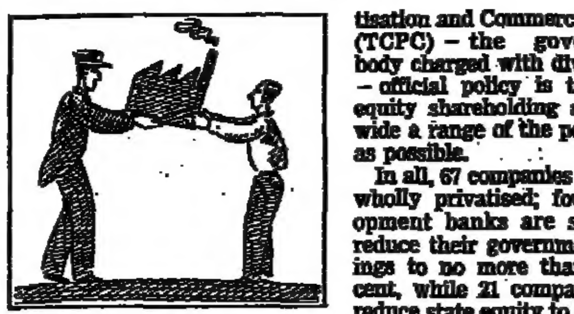
DESPITE the "post no bills" signs, workers armed with glue-pots and brushes have been more than usually busy on the streets of Lagos's business district.

The posters they slapped on bank and office walls on Lagos Island displayed the insignia of 13 Nigerian insurance companies. The most visible part of an ambitious national sales campaign, the posters were intended not simply to sell Nigerians more insurance, but to sell them the insurance companies themselves.

The public offer of government-owned shares in Nigeria's profitable insurance sector is one of the first steps in a far-reaching programme for the privatisation and "commercialisation" of Nigeria's state-owned enterprises. It is a process the Government hopes will change the face of the *country's troubled economy*.

As many African states did after independence, Nigeria undertook a series of large-scale nationalisations: it set up vast parastatal operations in sectors of the economy ranging from energy and communications, through insurance and banking, to agro-processing, mining and construction. And, like many African states, it has found that most have acted as a heavy drain on the economy.

Badly planned, poorly managed, and heavily indebted,



UNBUNDLING THE STATE

Nigeria's public sector companies have been criticised by international donors; they have now become an important target of the country's three-year-old economic reform programme.

Measures to get government out of business, a policy officially *put in place by state* decree in July 1988, will involve a total of 126 companies. Of these, 92 are listed for privatisation, while 34 will be "commercialised" – run on a profit and loss basis without government intervention.

Privatisation will be effected largely through the sale, by public share offer, of government equity in enterprises wholly or partly owned by the state. While private placement remains an option for the Technical Committee on Privatisation and Commercialisation (TCPC) – the government body charged with divestment – official policy is to spread equity shareholding across as wide a range of the population as possible.

In all, 67 companies are to be wholly privatised; four development banks are slated to reduce their government holdings to no more than 70 per cent, while 21 companies will reduce state equity to less than 40 per cent.

The process started with a bang at the beginning of last year, with massive over-subscriptions on the first three companies to come on offer – Nigerian Flour Mills and the marketing companies African Petroleum and National Oil.

The enthusiasm was understandable. The last significant opportunity to buy shares came in the 1970s when an "*Indiginisation*" *decree* brought about the sale of 40 to 60 per cent of multi-national companies' local holdings. Cheaply sold and with high dividend yields, they have since created a chronic imbalance on the Nigerian stock exchange, with many hopeful buyers but few sellers.

The latest rush to buy shares may have already peaked, however. Bureaucratic slowness in processing share applications resulted in large amounts of money being tied up for six months without interest. Further disillusion set in among larger-scale buyers when shares were eventually allotted; subject to limitations on the numbers sold to individual buyers, many were disappointed to receive only a tiny fraction of the shares they had expected.

A subsequent offer of shares last July in the insurance company Unic bore out this disillusionment. Although one of the country's most profitable insurance concerns, the offer was only slightly over-subscribed. There are now fears that the share offer for 12 additional insurance companies being sold in three separate "bunches", despite the attraction of dividend yields of up to 17 per cent, will prove to be under-subscribed.

Other factors likely to *slow up future share* sales include the prior need to restructure companies less viable than those already privatised, an on-going Nigerian liquidity squeeze, and limits to the absorptive capacity of the share market.

While TCPC director-general Dr Shamsudeen Usman admits to these constraints, he says he is none the less "confident that the privatisation exercise is realistic and will be complete within the next two years".

One reason for haste in the face of such obstacles is the military government's desire to privatise as many companies as possible before 1992. This is the year a civilian government – unlikely to be demanding in the management of state-owned enterprises – is scheduled to come to power through elections.

Commercialisation of the companies that will remain publicly owned presents an even more challenging task to the TCPC. While 24 corporations are due for partial commercialisation (they will be responsible for all operating costs but receive government subsidisation for capital the needs), 10 other will be required to be totally self-supporting.

Although observers agree that the government is attacking the problem of mismanagement and financial loss more seriously than *any of its* predecessors, many doubt its management capacity to turn around such notoriously inefficient companies as the public electrical utility Nepa, the Nigerian Railway Corporation, Nigerian Airways, or the communications corporation Nitel.

This is the third article in a series on privatisation. Previous articles appeared on the foreign pages on February 28 and March 6

Peres keeps up pressure on Likud leadership

By Hugh Carnegy in Jerusalem

LEADERS of Israel's Labour Party yesterday reiterated their demand that the Likud Party accept US proposals for Israeli-Palestinian peace talks as a condition for keeping alive the fragile coalition Government led by Mr Yitzhak Shamir, the Likud leader.

At a meeting of Labour's policy-making central committee, both Mr Shimon Peres, the party leader, and Mr Yitzhak Rabin, the Defence Minister, signalled they were ready to bring down the Government later this week if Mr Shamir did not meet their demand.

As a preliminary move, the central committee authorised the Labour executive body - made up of its 39 members of parliament and about 90 senior party officials - to decide whether to quit before a key meeting of the Knesset (parliament) on Thursday when several motions of no confidence in the Government are due to be debated.

Mr Peres and Mr Rabin left open the possibility of Labour electing to stay in the coalition, as it did after making similar threats previously. Rivalry between the two men and the party's nervousness about its electoral position have to date made its bark worse than its bite.

Yesterday, a leader of the National Religious Party shuttled between the major parties to try to arrange a compromise. But the Labour ministers insisted it was Mr Shamir who must give ground.

The Labour moves follow Mr Shamir's refusal to put the US proposal to a vote at Sunday's cabinet meeting. Labour accepts Washington's plan for Israeli-Palestinian talks in Cairo to discuss steps towards a settlement in the Israeli-occupied territories. But Likud objects to the inclusion of Arabs from Jerusalem and Palestinians deported from the territories in the Palestinian delegation.

Mr Rabin, to date the keystone of the often turbulent coalition, launched a withering attack on Likud in his speech to the central committee. He said Labour was ready to restate its commitment to Israeli control of Jerusalem and its rejection of negotiating with the Palestine Liberation Organisation. "But before that (Likud) will have to give a clear, unambiguous, positive answer to (US Secretary of State) Baker's proposal. Without Likud's positive reply, there's nothing to talk about," he said to prolonged cheers.

Mr Rabin's attitude is crucial. He has forged repeated compromises to keep the Government afloat throughout its 15-month existence.

US irritation with Israeli Prime Minister grows

By Peter Riddell, US Editor, in Washington

THE Bush administration is making no secret of its increasing irritation with Mr Yitzhak Shamir, the Israeli Prime Minister, and his Likud-led coalition.

President George Bush and Mr James Baker, the Secretary of State, feel the Israeli government *is primarily responsible* for holding up the long-discussed peace talks and the US has increased pressure for a decision after a year of preparatory discussions.

Impatience over these delays has been reflected in two recent developments concerning the expansion of settlements in the occupied territories and the movement there of Soviet Jewish immigrants. First, on March 1, Mr Baker said the administration supported an Israeli request for a $400m housing loan guarantee to settle new Soviet immigrants provided Israel stopped expanding settlements. This was to ensure that no US money ended up in the occupied territories.

Secondly, on March 3, President Bush talked of opposition to new settlements both on the West Bank and in East Jerusalem. The addition of East Jerusalem, which has caused furious controversy in Israel, was intended to show that the US still views that part of the city as occupied territory, especially *in the context of the* settlement of Soviet Jews.

While the US has never officially accepted the annexation of East Jerusalem during the 1967 war, it has in practice in the past distinguished between that and the West Bank and Gaza, saying the final status of Jerusalem should be determined through negotiations.

The Bush administration believes further settlements are hampering progress towards peace and talks over Palestinian elections.

These events have reflected the generally tougher tone adopted towards Israel than applied during the Reagan years though so far there has been no suggestion of cutting the $3bn of aid which Israel receives annually from the US.

China to bail out ventures

CHINA must spend 1bn yuan (£129m) this year to bail out foreign joint ventures, including car makers, *hit by an austerity* programme, Reuter writes from Peking. About 380m yuan will be spent to buy up to 4,990 cars this year from ventures that have stockpiled 10,000 vehicles, the China Daily newspaper said.

Foreign companies that will benefit from the plan include Peugeot of France, Volkswagen of West Germany and Chrysler of the US. Peugeot has a joint venture in Guangdong, Volkswagen in Shanghai and Chrysler in Peking.

Tianjin Automotive Industry which co-operates with Daihatsu Motor of Japan, and China's Number Two Automotive Corporation of Hubei Province and Changchun Number One Automotive Corporation will also be helped.

The central bank will provide the funds to the government's Materials and Equipment Ministry to buy the cars and other products.

Return to 1960s socialist stance

By Colina MacDougall

CHINA'S Central Committee, *alarmed at events in eastern* Europe in the wake of the Peking massacre last June, yesterday nailed its colours more firmly to the socialist mast by declaring that the 1990s would be a decade of victory for "socialism with Chinese characteristics".

The four-day meeting, scheduled to precede the National People's Congress, the rubber-stamp parliament which *annually reviews policy* and is due to open on March 20, issued a closing statement which revived a 1960s Mao-style call to "unite with the masses", and blaming its problems on bureaucracy and "temporary difficulties" rather than tackling the decline of the economy. This follows another recent bizarre propaganda campaign, emphasised by all China's top leaders, to "Learn from *Lei Feng*" a loyal party hero of the 1960s who died a martyr in a traffic accident.

Bangladesh donors to meet after pledge to World Bank

By Reazuddin Ahmed in Dhaka

THE World Bank has agreed to convene a meeting of Bangladesh aid donors in Paris on April 19 and 20 following promises by the Dhaka Government that it will restore some discipline to the chaotic economy by curbing current expenditure.

The Bank will continue to monitor Bangladeshi steps to implement longer term measures before recommending an aid total to the donors. Bangladesh has been lobbying for $2.4bn in aid for the next fiscal year. The World Bank may suggest about $2.2bn conditional on the Dhaka Government putting its economic house in order.

Mr Barber Conable, the World Bank president, said in Dhaka that Bank and International Monetary Fund relations with the Bangladesh government were not strained. But they were concerned about the rising balance of payments deficit, increasing expenditure on the current account, a soaring rate of inflation, public sector inefficiency, rampant subsidies and a defective system of collecting taxes.

He had underlined these deficiencies to the country's leaders and said he hoped economic management would soon be corrected. Mr Conable noted that food output, critical in Bangladesh, was encouraging. He said the Bank would extend external support to poverty alleviation programmes as a priority but would also concentrate on infrastructure projects such as the $500m Jamunam Bridge for longer term benefit.

The World Bank and IMF are holding back more than $500m in credits for the energy, industrial and financial sectors.

Japan hopes Gatt ruling ends EC 'discrimination'

By Robert Thomson in Tokyo

JAPANESE government officials hope that a General Agreement on Tariffs and Trade (Gatt) panel ruling against the European Community's so-called "screwdriver" law will end the "obvious discrimination against Japan" in the EC's anti-dumping policies.

While the preliminary ruling supposedly remains confidential and will not be ratified until a Gatt Council meeting on April 3, news of the finding in Japan's favour has delighted Tokyo officials, who indicated the result is likely to prompt more actions under Gatt by Japan.

The appeal by Japan in October 1988 was its first since Gatt was formed, and challenged the EC's imposition of anti-dumping duties on EC-made products when 60 per cent or more of components are imported from Japan and if direct exports of the product are already subject to the duty.

Japan claimed the EC's measures violated two articles of Gatt by imposing an anti-dumping duty without ascertaining the damages caused by dumping. The EC had claimed the measure was a justified attempt to fill some of the many gaps in regulations intended to control dumping.

The claim arises from the EC imposition of anti-dumping duties on Japanese electronic typewriters in June 1985, and the later imposition of punitive duties on copying machines and scales. Japanese companies then increased production within the EC, prompting the EC to introduce the 60 per cent limit.

Some European officials have viewed the rules as a useful means of attracting productive Japanese investment, but Japanese companies and the government have regarded them as discriminatory and a breach of Gatt regulations.

In recent months, Japan has intensified its campaign within Gatt against the "abuse" of anti-dumping measures and in favour of making regulations more "transparent". In a submission circulating among Gatt members, Tokyo has shown it is now more inclined to use formal dispute measures under Gatt instead of settling disputes informally, as has generally been the case.

The submission argues for change to the required three months of conciliation before the establishment of a dispute committee, preferring conciliation to be "a matter of discretion" and the introduction of a "fast track to the establishment of a panel".

High-tech voice for lifting curbs

Nancy Dunne on US calls for freer trade with eastern Europe

LIKE other influential Washington officials who spend their commuting time making phone calls from their limousines, Congressman Sam Gejdenson uses a mobile phone. But his calls are made from the seat of a rickety five-speed bicycle.

A vigilant staff has sought to contain the Congressman's phone use – the bill was busting the office budget – but no one would try to separate him from the lap-top computer he tenderly carries on the bike's wire basket.

Mr Gejdenson's penchant for high-tech gadgets is apt for one whose job involves shepherding through Congress the renewal of the legislation under which the US restricts the sale of sensitive high-technology to communist countries.

At 41, the five-term Connecticut Democrat is chairman of the House subcommittee on International Economic Policy and Trade, the panel with immediate jurisdiction over the US export control regime.

It took two and a half years of contentious haggling last time the Export Administration Act was renewed in 1985. Even then, most Congressional Democrats believed export controls were damaging foreign sales, but Senate Republicans insisted on a Pentagon role in licensing, which prevented significant liberalisation.

The new renewal deadline is September 30. This time round, with communism collapsing in Europe, Mr Gejdenson believes passage of a restructured system of controls will be easier, although significant reform may take two years. Hardliners, he said, "will be very hard-pressed to argue that the American industry ought to be the only western industry not doing business in eastern Europe".

Aides say Mr Gejdenson's humourous, breezy style belies the care he is taking to build a case against the "cumbersome" licensing system he says "goes beyond what the law requires".

In February, he held a hearing on one bureaucratic stumbling block called "commodity jurisdiction" under which executive agencies must decide which can review licences. "Dual-use" technology is controlled by the Commerce Department; munitions by the State Department, which has been considerably less interested than Commerce in speeding up licensing.

Applicants for export licences, Mr Gejdenson said, must pass through an administration quagmire filled with uncertainty and inter-departmental squabbling.

"Should the unwitting businessperson apply to the wrong department, he might face serious legal consequences down the road. Should applicants request a commodity jurisdiction determination, they may have to endure a complex and time consuming procedure which might take even longer than the time it takes to review a licence."

Mr Gejdenson's questioning enlivens the dullest of hearings. When officials recently sought to justify limits of sophisticated telecommunications exports on "security grounds", he pressed them.

The witnesses demurred, and the chairman bored in: "If the Russians want to communicate with their agents in eastern Europe, it seems to me, as bad as they are, they have figured out for years ways to communicate with their agents, even some of those on US government payrolls."

Mr Gejdenson criticises as "wholly inadequate" Bush Administration proposals for the liberalisation of multilateral export controls. These, he said, would "give a greater advantage to our European competitors and will not achieve the goals they espouse".

He argues that the only way to turn around the US trade deficit is to increase sales where US business is most competitive – in the most sophisticated of technologies. In eastern Europe and the Soviet Union, where US technology is regarded favourably, "we ought to take advantage of that before western Europe and Japan take it all away".

Like most Democrats involved in trade issues, Mr Gejdenson chafes under the Administration's "cautious" approach to its trading partners. If the Japanese throw up barriers to foreign products, the US could take their time inspecting Japanese shipments, he says. If the European Community blocks American participation in government procurement, the Pentagon could shut down EC bidding on US defence projects.

Brussels agrees to hold talks on US corn gluten exports

By Tim Dickson in Brussels

A long-running campaign by European maize producers to curb imports of US corn gluten feed paid off for the first time yesterday, when the European Commission reluctantly agreed to raise the issue with member states.

The unexpected move assumes extra significance at a time when the international Uruguay Round trade talks are entering their crucial final phase, and will do nothing to improve the increasingly tense trade relationship between Brussels and Washington.

The problem centres on an "anti-subsidy" complaint lodged in July 1988 by the European Confederation of Corn Producers (CEPM), alleging that production aids paid to US maize farmers and ethanol producers under the US Feed Grains Programme and other schemes create severe financial pressures for EC growers.

Corn gluten feed, or maize gluten, is the highly nutritious residue left after starch liquid gluten and seed have been removed from maize kernels during production of starch and ethanol.

US exports to the EC, which enter the Community free of import duty and offer an increasingly popular substitute for cereals in animal feed, have tripled in the past 10 years, reaching 5m tonnes in 1989 (equal to almost the entire US output).

Mr Frans Andriessen, EC External Relations Commissioner, is known to have been sceptical about the CEPM arguments, but recent intervention by the French Government on the side of complainants has effectively forced his hand.

The matter will now be discussed by representatives of the 12 member states in an EC trade consultative committee on April 20. The Commission will then decide whether to open a formal investigation.

Mr Marcel Cazale, president of the CEPM, believes yesterday's move, which follows a persistent 20-month lobbying campaign, "is the first step towards an inquiry which will set a compensatory duty on imports of American corn gluten feed".

The US was considering an increase from $500m (£294m) to $1bn in production aids for ethanol, even though the Uruguay Round negotiations seemed to be leading towards a reduction in direct and indirect subsidies.

Insurance claims rise with ageing world fleet

By Patrick Cockburn in London

SPECIAL inspectors are to be appointed by the UK Protection and Indemnity Club, the largest of the shipowners mutuals providing liability insurance to members, in a bid to reduce the number of accidents which have increased sharply in the last three years.

The UK P & I Club says that the world fleet is ageing, partly due to the high cost of new construction, and this has increased the number of claims since 1987. The shipping depression in the 1980s led to many vessels being laid up with little maintenance and a decline in the training of crews.

As a result all P & I Clubs have seen an increasing number of claims over the last three years both because old vessels are putting to sea and courts are more prone to make large awards. Both BP and Shell now insist that oil tankers under charter to them carry $700m pollution cover.

The UK P & I Club says it has traditionally relied on classification societies to assess the condition of ships insured, but these chiefly relate to safety considerations and the ships' physical condition.

The aim of appointing inspectors is to examine not only the physical condition of the ship but its ability to carry cargo, crew experience and training, management policy, safety practices and pollution control. First inspections will be on a random basis and the club says it will discuss how improvements could be made.

Many P & I Clubs were forced to put up their premiums by 50 per cent when shipowners renewed their policies on 20 February. The higher accident rate is partly explained by ships spending more time at sea since the shipping depression ended but insurers are also concerned that they are facing a permanently higher level of claims.

US Eximbank to boost tied aid deals

THE US Export-Import Bank will defend its East Asian business interests through more aggressive use of aid linked to buying US exports, Mr Eugene Lawson, Eximbank first vice-president, said, Reuter reports from Hong Kong.

The bank would set up tied aid facilities in the Philippines, Pakistan, Indonesia and Thailand, to match other nations' widespread use of tied aid to promote their exports.

Mr Lawson quoted studies showing annual US losses of $400m (£235m)-$800m in export sales because of other developed nations' use of tied aid.

"We're looking for projects involving telecommunications, transportation, and power and construction equipment in countries where tied aid is used extensively," he said.

Talks are under way in Paris on restricting the use of tied aid, or mixed credit, for commercial purposes.

Eximbank is seeking to offer tied aid to China. Last December, it authorised $23m for the Shanghai Metro project funded through a combination of guarantees and tied aid.

Norway missile hope

Norskforsvarsteknologi (NFT), the Norwegian defence contracting firm, is confident of signing a NKr1bn ($153m) contract with the US Navy by this summer to supply about 192 Penguin Mark II helicopter-launched missiles, Karen Fossli reports from Oslo.

NFT was created nearly three years ago from the now-defunct state arms maker Kongsberg Vaapenfabrikk (KV).

Doubts had been cast over NFT's chances of landing the deal because of earlier US trade sanctions on KV because of collaboration with a Toshiba subsidiary in supplying Moscow with submarine control systems, against CoCom rules.

KV started the Penguin missile programme over five years ago, but it was taken over by NFT. In 1984, KV and the US signed a deal to integrate KV's Penguin Mark II Mod-7 with the Sikorsky SH60-B Seahawk helicopter for the US Navy Lamps III programme.

Brussels bid to aid shoe industry

THE European Commission is considering taking temporary steps to protect its shoe industry against footwear imports from Japan and Korea, Lucy Kellaway reports from Brussels. It has nearly finished an inquiry into rising third-country imports into the EC, and into barriers in third countries to EC footwear exports, warning that if it finds evidence of unfair practices, it will take action.

European industry ministers will today express concern over the worsening position of European shoes in the world, and discuss a Commission document showing a 73 per cent rise in import penetration from non-Community countries since 1986.

In that time, third-country share of the European market has risen from 26 per cent to 43 per cent, while European shoe output has fallen 15 per cent, and exports cut 10 per cent.

Ministers are likely to seek a totally open market in footwear in the EC by 1993. To help companies adapt, they will discuss technology transfer, better help for companies, and access to EC funds.

Ministers will also consider achieving a single market in cars. Mr Martin Bangemann, Single Market Commissioner, will try to shift the focus from Japanese car markets to encouraging a genuinely open market between member states. He will seek new impetus for directives harmonising car standards and rules in member states.

Indonesia order

A group led by Asea Brown Boveri has won a $210m (£123m) order for two coal-fired steam generating plants for PLN, the Indonesian state electricity group, William Dullforce reports from Geneva.

C Itoh of Japan and PT Energy System of Indonesia are partnering ABB's newly-acquired US subsidiary, Combustion Engineering. ABB is to supply the steam generators. PT Energy will provide components while C Itoh oversees building work. The plants, in East Java, are to begin commercial operation in 1994. Total cost, still needing government approval, is about $305m.

AMERICAN NEWS

ARGENTINA UNVEILS AIRLINE AND TELECOMS SELL-OFF DETAILS

Privatisation financing sparks row

By Gary Mead in Buenos Aires and **Andrew Marshall** in London

DETAILS of the planned privatisation of ENTel, Argentina's state-owned telecommunications company, and Aerolineas Argentinas, the national airline, have been announced, sparking a political row over the financing of the deals.

ENTel is officially valued at \$3.5bn. Some 60 per cent of it is to be sold – in two halves – for a total of \$1.807bn. The other 40 per cent is to be divided between ENTel employees, traded shares on the Buenos Aires stock exchange, and a portion to local telecoms suppliers.

It is due to pass into private ownership by October 8 this year.

Of the selling price Argentina could receive as little as \$213m in cash, the base figure set by Ms Maria Julia Alsogaray, who is managing the privatisation.

The rest can be covered by debt-equity swap arrangements at 100 per cent face value. Argentine debt is currently trading on secondary markets at less than 15 cents in the dollar.

Successful bidders for the two future companies will be required to invest a joint minimum of \$4.9bn, but will be guaranteed by the state an *annual profit of 16 per cent*. If such profits are not made, the difference will be made up by state subsidy.

Future owners of the two companies are unofficially estimated to make a \$500m annual profit.

ENTel's debts, at least \$700m in total, will be absorbed by the state. The 24 per cent tax currently levied on telephone bills, which is used to pay state pensions, will disappear.

Successful bidders are due to be announced on June 28.

Privatisation terms for Aerolineas Argentinas have also been announced. The airline, created by General Peron in 1950, has been officially valued at \$623m. Here, 85 per cent is to be sold, at a value of \$529m, by June 22 this year. Interested foreign airlines – which include Alitalia and Varig – will be barred from holding more than 49 per cent of that portion.

Aerolineas's total debt, more than \$741m, will be absorbed by the state, which will retain 5 per cent of the company; a further 10 per cent will be sold to Aerolineas employees. Debt-equity swaps will be permitted as part of the sale, though a base figure of \$220m in cash has been set.

The debt-equity arrangements have met strong criticisms from both governing Peronist and opposition Radical politicians in Congress, who fear they will reduce the amount of cash generated for Argentina. But they provide a means of reducing Argentina's \$60m debt, and the service payments on it. Using debt-equity swaps for privatisation is one means of limiting their inflationary consequences for the economy.

A debt-equity conversion fund specifically targeted at Argentinian privatisation has already been established, with total commitments of approximately \$1bn of debt at face value.

The Argentina Private Development Trust Company (APDT), the largest fund of its kind, was closed at the weekend. It is sponsored by Banco Rio de la Plata, an Argentinian bank, the International Finance Corporation, a World Bank affiliate, and Midland Bank, with the Bank of Japan acting as a Japanese co-ordinator. Initially targeted at \$500m of Argentinian debt, the size of the issue was raised as it became apparent that there was considerable demand.

Uruguay prepares IMF letter of intent

By Gary Mead in Buenos Aires

URUGUAY'S cross-party government under President Luis Alberto Lacalle is preparing a new letter of intent for the International Monetary Fund, which is likely to be signed later this month. The main aims stated in the letter will be the reduction of inflation to 50 per cent for 1990, and a cut in the fiscal deficit to 2.5 per cent of gross domestic product.

The latest issue of the weekly Busqueda gives a detailed breakdown of the letter's contents, quoting unnamed government sources. Mr Ramon Diaz directed Busqueda for a number of years, until he was appointed central bank governor by Mr Lacalle, who took office on March 1.

Lacalle: set to sign with IMF

The IMF-agreed programme will concentrate on increasing revenues and cutting state spending. Value added tax will increase 1 percentage point to 22 per cent, and basic income tax will go up 3.5 points to 20.5 per cent. The basic import duty will rise from 10 to 15 per cent.

Uruguay hopes that its efforts to trim the economy into better shape will improve its chances of being included in the US-supported debt reduction scheme known as the Brady Plan. Payments this year on its \$4.33bn public sector foreign debt are due to be some \$310m; approximately \$1.88bn of the total debt is with foreign commercial banks.

Liberals strengthened by Colombia poll win

By Sarita Kendall in Bogotá

THE GOVERNING Liberal *Party has won a large majority* in Colombia's Congressional and local government elections. Cesar Gaviria, who took up Luis Carlos Galan's Liberal candidacy after Mr Galan's murder by cocaine traffickers last August, gained a clear mandate to lead the party in the May Presidential election.

In his victory speech, 42-year-old Mr Gaviria said: "It is a great and tragic moment, because Mr Galan's death was necessary for the triumph of his ideals." Mr Galan had fought to ensure popular choice on the Liberal candidate by ballot, rather than designation by the party office.

The other five Liberal candidates recognised early on that Mr Gaviria had won the nomination with well over 50 per cent of the votes. Hernando Duran Dussan, with the Liberal machinery behind him, was unexpectedly beaten into third place by Ernesto Samper, from the left of the party.

Mr Gaviria is virtually assured of the Colombia presidency. His main rivals on May 27 will be Rodrigo Lloreda, for *the Conservative Party*, and Bernardo Jaramillo of the left-wing Patriotic Union.

An experienced politician, Mr Gaviria served as Minister of Finance and Minister of the Interior under President Virgilio Barco. He became Galan's campaign chief, and, after a dramatic graveside plea by Galan's eldest son, agreed to be a candidate.

As Galan's successor with a firm anti-drugs stance, he will also be in the traffickers' gun-sights.

Despite guerilla threats to disrupt voting, polling was quiet and the turn-out higher than expected.

The Liberal candidate for mayor of Tame, in the north east, escaped a grenade attack and was elected. Voting was suspended in some small towns after violent incidents, and police arrested ballot buyers on the north coast.

Although the younger generation swept the presidential stakes, old guard Liberals were returned to Congress in strength.

Haiti's ex-ruler flees to Florida

By Canute James

GENERAL Prosper Avril, who resigned as Haiti's military ruler on Saturday, fled the Caribbean nation yesterday on a US military aircraft.

His departure for Florida followed a weekend of violence which claimed at least 21 lives, as opposition groups protested against Gen Avril remaining in the country.

Gen Avril's flight has averted a general strike called for yesterday by several organisations, and which threatened to have been violent.

His resignation after 18 months in office was preceded by a week of popular protests against the military government, and divisions within the armed forces. Power was assumed temporarily by Gen Herard Abraham, the army chief of staff, who promised to install a provisional civilian government by today. The interim administration will be responsible for organising elections and then handing over to an elected government.

The country of 6m people was still tense yesterday despite Gen Avril's departure. Members of the Presidential Guard, the only branch of the military which had remained loyal to the former military ruler, were said to be responsible for several outbreaks of gunfire in Port-au-Prince, the capital, on Sunday night.

Political leaders said yesterday they feared that soldiers, worried about public reaction to alleged human rights abuses during Gen Avril's rule, would turn more violent. The interim administration would then not be able to control the country, they said, encouraging the army to stage another coup.

Gairy sees divine hand in Grenada poll

By Canute James

SIR Eric Gairy, a former prime minister of Grenada, believes his United Labour Party is destined to win a general election being held today.

It was on Tuesday March 13, 1979, that Sir Eric was overthrown in a coup by a group led by socialist Mr Maurice Bishop, who became prime minister until his murder in a palace coup in 1983.

"The holding of the election on March 13 is not purely coincidental," said Sir Eric, who has always indicated a strong belief in man's inability to do anything not determined by the cosmic and the extraterrestrial. "This indicates a hand stronger than the hand of man. It had to be arranged cosmically by divine power. The gate through which I was pushed out is the gate I must come back in through."

But rather than a clear-cut victory for Sir Eric, public opinion polls have suggested that the political confusion which has been common to this Caribbean island of 120,000 people over the past 11 years will continue. None of the five major parties which are contesting the election is likely to obtain enough votes to form a government, and there are likely to be marriages of political convenience – with which Grenada has always had difficulty.

One such coalition, put together in 1984 after suggestions from the US and neighbouring Caribbean governments, fell apart following bickering among the factions. In the end, Mr Herbert Blaize, who led the group to victory in the 1984 election, was left with a minority government. Mr Blaize died in January, and his successor, Mr Ben Jones, is unlikely to be returned to the prime minister's office.

Grenada's neighbours, who have been concerned about the prospect of a return to office by Sir Eric, are uncomfortable with suggestions that he will get enough support to be a broker in a new government.

It is generally held that in his last term in office, it was the repressive nature of his government, supported by violent gangs of hired thugs, which cultivated the ground for Mr Bishop's coup.

US reassures on Caribbean aid

By Our Caribbean Correspondent

Mr Dan Quayle, the US Vice President, has told the leaders of several eastern Caribbean islands that official aid promised by Washington will not be diverted to Panama, Nicaragua and Eastern Europe.

In a brief meeting with seven prime ministers in Barbados at the weekend, Mr Quayle was told that there was growing concern in the region over the possible redirection of US aid promised to the islands, and its use to support recent political changes in central America and Europe.

Bush prepared to discuss Rostenkowski budget plan

By Peter Riddell, US Editor, in Washington

THE White House yesterday said it was willing to discuss a fiscal package proposed by a leading Democrat at the weekend.

Mr Dan Rostenkowski, chairman of the tax-writing House Ways and Means Committee, set out his plan to break the current logjam over the budget and to gain support for tax increases as an inescapable part of any long-term deficit reduction plan.

He has previously made similar appeals for tough options, but has seen his proposals rejected by his own committee.

Mr Marlin Fitzwater, the White House press spokesman, said yesterday that the plan contains "some pretty significant weaknesses" in the Administration's view, since it advocates raising taxes and repealing the Gramm-Rudman deficit reduction law, and he faulted it for containing no measures to stimulate economic growth. But it "deserves some credit for making a serious and thoughtful, and comprehensive, approach to deficit reduction. It is the first such plan we've seen from Democratic members of Congress. We think there's some room to talk here."

The White House response is largely intended to divide the Democrats, since by offering talks it puts Congressional leaders on the defensive over a plan about which many have serious reservations. There are also tactical advantages in building up the standing of the proud Mr Rostenkowski (an old friend of Mr Bush) over other Democrat leaders.

Dan Rostenkowski: an old friend of the President

Among Mr Rostenkowski's proposals to eliminate the Budget deficit by the end of fiscal 1994 are:

- No tax cuts;
- Freezing tax allowances for a year;
- Raising the top individual income tax rate from 28 to 33 per cent;
- Freezing most federal spending programmes (including social security cost-of-living increases) for a year;
- Doubling the current excise tax on cigarettes, beer and wine;
- Increasing the tax on petrol;
- Cutting defence spending by 3 per cent a year from current levels.

He would also repeal the flawed Gramm-Rudman deficit reduction law.

The immediate reaction from Democrats was low key and non-committal. Some of the detailed proposals, such as an increase in petrol tax, have been strongly opposed by senior Democrats such as Texas Senator Lloyd Bentsen. While many Democrats sympathise with Mr Rostenkowski's objectives, and privately agree with a number of his specific solutions, they are reluctant publicly to commit themselves to a tax increase in an election year. They are likely to limit themselves to praising his boldness.

The White House remains opposed to any tax increase and the likely Republican line was indicated by Congressman Bill Archer, the party's senior member on the Ways and Means Committee.

He has said the plan is "continued evidence of the split within the Democratic Party. The good news is that Dan Rostenkowski has stepped into the vacuum of his own party's leadership in the Congress; unfortunately he still relies heavily on massive new tax increases."

A Democratic task force is due to report shortly on the party's response to the administration's renewed call for a cut in capital gains tax and to the proposal by Democratic Senator Daniel Patrick Moynihan for a cut in the social security payroll tax.

The Democratic leadership has been undecided about what to do but appears to be moving towards a package that would separate the financing of social security from the rest of the Budget and would offer some tax relief to lower and middle income families paid for by higher taxes for the wealthy.

Fed and White House differ on intervention to hold down $

By Peter Riddell

INCREASINGLY public tensions have emerged between the Federal Reserve and the Bush Administration over the scale of intervention in foreign exchange markets to hold down the dollar.

The Fed, notably such governors as Mr Manuel Johnson, vice-chairman, have questioned the desirability of large-scale intervention to drive down the dollar because of its possible adverse impact on inflation.

A number of Fed governors, including Mr Wayne Angell, and most of the presidents of regional Fed banks, are opposed to cutting US interest rates just now.

This is because they remain concerned about the level of inflation and believe the immediate danger of a recession has passed.

These differences surfaced last week when central banks in Europe and Japan intervened heavily in an attempt to hold down the dollar against the Yen and other currencies, albeit with mixed success.

There have been reports in the US that the Fed and the Treasury disagreed about the scale of intervention.

The Treasury has pressed for action to contain the dollar's rise which the Administration fears may undermine recent improvements in the trade position of the US.

These tensions have come at a time of speculation over whether Mr Alan Greenspan, Fed chairman, will be reappointed when his current term runs out in August 1991.

Rumours that Mr Greenspan will not have a *further* term were strongly denied at the end of last week by several senior members of the Administration, who said the issue had not even begun to be considered.

President Bush and his advisers, while retaining good personal relations with Mr Greenspan, feel that the Fed has been too cautious about reducing US interest rates.

Mid-term vote issues are local but prize is national

Peter Riddell previews US state and congress polls

A FORMER Texas governor walks past a series of large photographs of convicted murderers boasting that he had approved their *executions during his time* in office. In a rival television commercial the current attorney general proclaims his active support for the death penalty. Welcome to the mid-term elections.

The first round of Texas primaries today is the first big election occasion of the 1990 season. For all its vulgarity and cost (\$28m so far), the Texas contest is typical in that it will be decided mainly by local rather than national factors.

The contests involve 36 of 50 state governorships, 34 out of 100 US Senate seats, all 435 members of the House of Representatives, and 6,257 state legislators. With President George Bush continuing to enjoy record personal ratings and the absence of a recession, the decisive influences will be levels of state taxation, abortion, the environment and the personalities of the candidates.

None the less, this year's elections are attracting *national* party interest and record money. Not only are governorships inherently more important with the shift of many powers to the states from Washington, but state races will affect the political balance during the 1990s.

In particular, following a national census this spring the boundaries of congressional districts will be redrawn. Population shifts in the past decade will mean that north-eastern and Great Lakes industrial *states will lose* House seats and the southern "sunbelt" will gain. California alone is expected to have up to seven new House seats.

The redrawing of boundaries within a state is a political process decided by the legislature and the governor. Ingenious drawing of district lines gave the Democrats up to six seats in California 10 years ago.

Consequently, the state races really matter as a preliminary to lengthy "redistricting" battles. The Democrats control 20 of the 36 governorships up for election, while 29 of the two-house state legislatures are completely in their control, eight in Republican hands and the rest split.

The stakes are high. With 98 per cent of sitting members of the House of Representatives being re-elected in 1988, the creation of largely new seats gives a chance to challengers. Moreover, a legal loophole which has allowed senior House members to retire with any money left over from past campaigns is to be closed soon, encouraging a number to leave Congress in 1992 while they can still take the cash.

The Republicans see in these changes a chance to claw back some of the Democrats' 36 year dominance of the House (a current margin of 257 to 175, with three vacancies). Mr Bush has already been helping to raise money in key states such as California, where the outcome of the governorship race will

Congressional districts are due to be redrawn, so state races will affect the political balance during the 1990s

have a significant impact on the Republicans' chances of winning half a dozen or more House seats in 1992.

Little change is expected in the overall party balance in Congress this November, though Mr Bush's current popularity may prevent the usual *mid-term swing* against the party in the White House. This would balance the fact that in 1988 for the first time the Republicans lost seats in Congress when their candidate was elected president.

The outlook is less certain in the Senate – where the Democrats are ahead 55 to 45 – than in the House. Some prominent Democrats in Illinois, Rhode Island and Iowa face strong challenges. But the Republicans would have to be doing very well to recapture the majority they lost in 1986. Their most realistic hope is a springboard for victory in 1992 when large numbers of Democrats will be up for re-election.

Yet one familiar feature is absent this year: no one is evidently planning to run for President. Four years ago nearly a dozen candidates were making visible preparations. In part that was because there was certain to be a vacancy in 1988 with Mr Ronald Reagan's retirement. Now, President Bush is planning to run for re-election and no serious challenge is likely on the Republican side.

More significant is the silence amongst Democrats. Even such favoured candidates as Senator Bill Bradley say that at present they are not inclined to run. For the moment, Senator Bradley, like Senators Sam Nunn and Al Gore, can say they are concentrating on their re-election races this November.

Among the others, Governor Mario Cuomo of New York retains his Hamlet-like ambiguity, and Congressman Richard Gephardt promised not to seek the White House in 1992 when he successfully ran for the House Majority leadership last summer.

The Reverend Jesse Jackson, for all his significance in the black community, he is a negative influence on the Democrats' presidential prospects.

The real reason for the silence is that most Democrats expect Mr Bush to win re-election. So why follow candidates Mondale and Dukakis to political oblivion when there is time – as there is for all potential Democrats except the 69-year-old Senator Lloyd Bentsen – to wait until 1996.

But that is the March 1990 conventional wisdom; remember barely more than a year ago that Mr Bush was dismissed as a one-term president. A lot could change before the key political and financial decisions have to be taken in late 1991 and early 1992. Meanwhile, not the least of Mr Bush's achievements has been *to neutralise his potential* opponents.

AMERICAN NEWS

Costa Rica's trade unions come under fire

Tim Coone plots the rise of employer controlled labour associations like Solidarismo

The Unified Confederation of Workers (CUT), once Costa Rica's largest trade union organisation, today rents some gloomy, run-down offices in downtown San Jose, the capital. A "For Sale" notice hangs on the wall outside.

Once the bane of banana company multinationals, frugal governments and private employers alike, the formerly communist-dominated CUT, along with six other trade union federations in Costa Rica, are struggling to stem a major decline in trade union membership.

The reason is "Solidarismo." A movement started in the late 1940s by a former economy minister, Alberto Marten, it seeks to promote employer-controlled labour associations to displace the trade unions.

Offering substantial financial benefits such as credit, loans and workplace supermarkets with goods at near-wholesale prices, the Associations have rapidly added members.

It is only in the past 10 years though that "Solidarismo" has made its greatest leap ahead, under the impulse of finance from the banana companies, USAID funding and, most crucially, a law approved in 1984 by the Costa Rica Legislative Assembly that allows obligatory redundancy fund reserves of companies to be used by the Solidarismo Associations to finance their benefit schemes.

As a result the associations possess substantial economic muscle. For example, the Association of railway employees, Aseincofer, after eight years of existence now handles assets of $1m, a monthly income in membership dues of $10,000, and over $40,000 monthly in turnover of loans.

Aseincofer has 1,048 members. Its administrator, Ms Wilma Colindrez, says however, that her organisation is poor in comparison to some private sector associations which receive additional employer backing.

With such financial leverage and a wide range of benefits on offer to the workforce, the associations have been able to poach large numbers of members from the unions.

"We thought Solidarismo was a fantasy of the "patrones," according to Mr Eliecer Sanchez the deputy secretary general of the CUT. "We made a serious mistake by not recognising their appeal." He claimed that collective agreements were increasingly being ignored by employers as trade union strength has declined.

Today in Costa Rica membership of Solidarismo associations exceeds 150,000 in comparison to trade union membership of around 140,000 according to Mr Sanchez. In many cases membership of an Association implies exclusion from a trade union.

The 1984 law explicitly forbids the new Associations interfering with or replacing trade union activity, but in practice the law has been abused by employers to remove trade union militants from the workplace, Mr Sanches and Ms Colindrez said.

A 1984 law explicitly forbids the new Associations interfering with or replacing trade union activity, but in practice the law has been abused by employers to remove trade union militants from the workplace.

Aseincofer is a rare exception in that a trade union and Association exist side-by-side. "We are not like the banana companies," Ms Colindrez said. "There employees are obliged to be members of the association if they want to work." Officials of many associations are management officials of the employing company.

"Victimisation of union leaders is now almost a daily occurrence," Mr Sanchez said. As long as redundancy payments are made, employers have little to fear from legal sanctions.

A further attraction of the 1984 Solidarismo law says Ms Colidrez is that an employee who is sacked for whatever cause is entitled to a redundancy payment if he or she is an association member. A trade union member only receives redundancy compensation on being laid off or on being sacked unjustifiably. Such payments can often amount to a year's earnings.

Blacklisting has further weakened the unions. Mr Rafael Bolanos, a sociologist who worked two years for the *Standard Fruit Company* in Costa Rica gathering data for his own research into company practice in labour relations, said "Blacklisting is widespread. Not only for political or trade union activity, but also for health and attendance records. These lists are shared between companies."

Costa Rica has not ratified UN conventions drawn up under the auspices of the International Labour Organisation (ILO) guaranteeing individuals the right to freedom of trade union organisation and affiliation in the workplace, although these rights are guaranteed under Costa Rica's Constitution. "The ILO therefore has had no authority to intervene and stop the abuses carried out under the Solidarismo law," Mr Bolanos said.

Costa Rica's experience is now being copied elsewhere in Latin America. Trade unionists in the banana plantations in northern Honduras say that Solidarismo is making major inroads into their membership.

Mr Sanchez said that Associations are also forming in Guatemala, the Dominican Republic, Colombia and Venezuela. He said that at an international trade union conference held in Havana last month, Latin American trade union leaders from diverse political tendencies agreed to co-ordinate efforts to face the challenge of "Solidarismo."

"We are going through very bad times," he said, adding that the union movement needs to be unified. As a first step he said the CUT has severed its links with the communists.

Menem faces sharp attack from leading trade union

By Gary Mead in Buenos Aires

OPPOSITION TO Argentina's President Carlos Menem took a decisive turn at the weekend, with a leading trade unionist accusing him of "responding to people's hunger with easy ironies."

Elected 10 months ago on a platform of economic expansion, and then strongly supported by Peronist trades unions, part of President Menem's trades union power base has now openly declared itself to be his fiercest critic.

President Menem said he will "not even read" an economic counter-proposal submitted by that section of the General Confederation of Labour (CGT) led by Mr Saul Ubaldini.

Mr Ubaldini immediately issued a statement which said that the refusal "belittles the CGT's contribution to a solution of national problems."

Under the previous Radical government, of Mr Raul Alfonsin, Mr Ubaldini led 13 general strikes in almost five years.

The conflict focuses on President Menem's plans to cut to the bone the government's involvement in the economy.

In the midst of hyper-inflation, the real purchasing power of salaries has collapsed, and this month an industrial recession is beginning to bite.

Industrialists estimate that as much as 14 per cent of the workforce may be indefinitely laid off this month.

February's retail inflation of 61.6 per cent showed a drop of almost 19 per cent against January's figure.

But the base line for March is already 100 per cent, and may surge to 200 per cent this before the end of the month.

February wholesale prices jumped by 87 per cent, against a 62 per cent rise during the previous month.

Although Mr Ubaldini can count on the support of many of the CGT's estimated 4m affiliated workers, one section of the divided CGT, led by Mr Guerino Andreoni, appears to still back President Menem.

However, Mr Ubaldini's complaints are shared by a growing number of Peronist politicians in Congress, who revealed at the weekend that they will present a Bill in Congress on May 1, designed to repeal the global privatisation law passed soon after President Menem took office in July 1989.

The Bill is likely to be supported by the opposition Radical party; if passed it would upset a key element of the government's economic reforms.

Glyn Genin

President Carlos Menem

Mexico City grants eight telephone franchises

By Richard Johns in Mexico City

GRANTING of eight cellular telephone franchises, involving a total investment of about $350m and covering the whole of the country outside the federal district has been announced by the Ministry of Communications and Transport.

Initial concession fees amounted to $55m, it said. The Government will receive five to 10 per cent of the gross income of the companies.

The successful groups emerging from no less than 106 bidders all have foreign partners.

Most prominent among them is Bell Canada, which will be involved in two of the new franchises for regions apparing to be among the most attractive. Region 6, where its partners are Gabriel Alarcón and local businessmen, covers Aguas Calientes, San Luis Potosí, Zacatetas, Guanajuato, Querétaro and part of the north of Jalisco.

Region 7, where it is associated with Grupo Mexicano Desarrollo and Indústrias Unidas, comprises Puebla, Vera Cruz, Tlaxcala, Oaxaca and Guerrero.

Millicom, the British company which operates Racal's Vodaphone in the UK, with the leading mining and industrial group, Protexa, has obtained a foothold in the generally-prosperous Region 4, including the state of Nuevo León and the leading business centre, Monterrey, as well as the state of Tamaulipas and the greater part of the state of Coahuila.

Together with Bell South, Racal of the UK, in a group including Banamex, the biggest commercial bank and Grupo Hermes, has won a stake in Region 5, covering Jalisco, including Guadalajara, Colima and the greater part of Michoacán.

McCaw Cellular Communications, the biggest company in the business, and Contel Cellular Inc, are in the group winning Region 2 covering the states of Sinaloa and most of Sonora, on the northern border, in partnership with the steel company, TAMSA, and Industrias Bachoco.

UK NEWS

Beating the bombs with jobs and hope

Ralph Atkins spends a day with Northern Ireland's earnest Economy Minister

EARLY in the afternoon the Government Minister's car slowed as it passed through a busy mid-Ulster town. On one side of the main street an empty building stood with large chunks of the front wall missing.

"Has it been blown up?" the Minister asked his detective. He looked aghast at the idea of a local business being stifled – either by bureaucracy or a bomb. "It has got to be soluble," he declared eagerly.

Mr Richard Needham, Northern Ireland's earnest Economy Minister, was in an ebullient mood. A day patrolling his fiefdom had already included an announcement of 500 jobs in Londonderry, one of Europe's worst pockets of unemployment.

His mission, he says, is to overcome Northern Ireland's grim image of terrorist outrage and political instability, to boost confidence and to cajole local businessmen and foreign investors into energising the economy.

The task is huge – some would say hopeless. Male unemployment in parts of Northern Ireland still tops 30 per cent, 60 per cent of its Gross Domestic Product is accounted for by the public sector.

Deprivation has fed the divisions between Protestant and Catholic communities, breeding suspicion and murderous hostility. Government ministers have to be protected by police escorts, their timetables and routes kept secret.

Mr Needham, a self-made businessman, is undeterred. He has a reputation as a wit who teases his staff with little mercy, driving them to distraction with his inability to leave meetings on time.

But there is a serious and businesslike side. "It is more than creating jobs. It is creating a mood. . . What you have to do is to show the facts of what Northern Ireland is now like. The shock when investors see how different reality is from the image is the *biggest selling advantage*."

The difficulties of Northern Ireland should not be exaggerated, he says. Repeatedly he tells audiences that the turnover of the province's private sector is only £3bn. "I'm running a business which is two-thirds the size of Marks and Spencer."

Economic prosperity will help move Northern Ireland towards a political and security solution, he says. "If everyone is in a job they are not going to be on the streets making petrol bombs. . . Jobs and opportunities will overcome guns and bombs."

Life for a Northern Ireland Minister switches between London, his constituency and the province. Mr Needham began his three-day tour with an early morning flight with the Royal Air Force to Aldergrove – Belfast's international airport.

His accompaniment of staff waited, car engines running, ready for a quick getaway. Ahead lay an hour's drive to Londonderry. *As his car sped through the bleak Glenshane Pass that leads into the town,* Mr Needham scribbled notes.

Londonderry – or Derry as the large nationalist community prefers to call it – marks the most westerly border of the modern British Empire. But, after 20 years of "The Troubles" in the province, Her Majesty's *writ does not run unhindered*. In December a Semtex bomb was discovered at the White Horse Inn, Mr Needham's destination today.

"As a Government Minister I am, in the eyes of the IRA, a legitimate target. Clearly the more successful I am in bringing in inward investment, the more they would like to get rid of me," he says.

The purpose of his trip was to unveil a £60m investment project providing 500 jobs in Londonderry by Fruit of the Loom, the US leisure-wear company.

Under bright television lights, Mr Needham beamed: "Single largest new American investment for 10 years. . . Wonderful newsday. . . just the beginning of a long and successful partnership."

He was joined by Mr Bill Farley, Fruit of the Loom chairman, and Mr John Hume, leader of the mainly-Roman Catholic Social Democratic and Labour Party and local MP. They donned Fruit of the Loom *sweatshirts for the cameras* and beat the drum for inward investment. Each company announcement has to greeted as a significant step forward.

The presentation is followed by a round of media interviews and a lunch for local dignitaries before, at 1.30pm, his private secretary insists he must return to the road.

Three-quarters of an hour later he embarrases the receptionist at a mid-Ulster industrial company who fails to recognise him. In the board room, Mr Needham talks of business plans, debt ratios and market shares. The company was seeking help from Northern Ireland's Industrial Development Board which had assisted Fruit of the Loom.

Mr Needham is seeking the right mix of Thatcherite entrepreneurship and state subsidy for local businesses. In the past successive Governments have thrown money at Northern Ireland to overcome grievances and to stimulate – or perhaps simulate – prosperity.

Mr Needham wants his department to be "more careful, more selective in the way that it gives help." The example of what not to do is the De Lorean project, the Northern Ireland sports car venture which collapsed in 1982, leaving the Government nearly £77m the poorer.

With an eye on the clock, the *Minister leaves for Stormont,* the Northern Ireland Office's headquarters in Belfast. He has meetings with Mr Peter Brooke, the Northern Ireland Secretary, and with trade unionists anxious about the forthcoming privatisation of the province's electricity service.

Eventually he leaves for the *official residences in the old* Speaker's House in the grounds of the Stormont Parliament building. In his room – no grander than at a modest hotel – he gossips with Mr John Cope, the Northern Ireland Minister of State.

The day is not over. Mr Needham has a formal dinner with the Technology Board for Northern Ireland. He wants to discuss the promotion of innovation and how to reverse emigration from the province of young potential entrepreneurs exasperated with its lack of opportunities.

At 10.30pm he returns to his bedroom with a box of official documents. It has been another day; another few dollars.

British Rail passengers suffer daily degradation, says report

By Roy Hodson

BRITISH RAIL last night responded to a heavily critical report on its services by the Central Transport Consultative Committee, the watchdog body representing passengers.

Replying to charges that conditions would worsen for commuters, "*already forced to* endure the daily degradation of travelling in grotesquely overcrowded trains," British Rail said cuts were being made to the south-east services because fewer travellers were using services in off-peak periods.

It blamed the downturn in the economy, saying: "People are not travelling to London to *shop so much as they did.*"

BR is to publish a revised corporate plan later this year, which will take into account changes in economic circumstances since the 1989 corporate plan was published.

The committee says in its report that it welcomes the new investment now being made in the railways. However, it is concerned because "further severe cuts" in government grants are now planned, and doubts whether the cuts can be achieved without damaging service quality.

The rail watchdog fears that, because off-peak traffic has fallen so dramatically, fare increases in the south-east will be even higher than the figure of 2.5 per cent above the prevailing inflation rate mentioned in the 1989 plan. Passengers will still have to cope with overcrowding beyond 1992-93, says the report. Because of the region's cash crisis, "things are now going to get even worse."

The report forecasts that south-east passengers will face more overcrowding, as well as stations deprived of even basic facilities and current train running information. That would create "playgrounds for vandals."

The committee says that train cancellations on InterCity routes are now running well above target. It adds: "InterCity passengers face higher fares while some basic aspects of the service *quality* remain unsatisfactory."

The committee concludes: "British Rail is in trouble." Promised improvements have been far too slow in coming, and now some vital investment schemes to bring about those improvements are indefinitely delayed.

British Rail: answering critical report

UK, France give Glaxo go-ahead for cancer drug

By Paul Abrahams

GLAXO, Britain's largest drug company, has received permission from authorities in the UK and France to market a new drug which will treat a condition affecting 90 per cent of cancer patients undergoing chemotherapy and radiotherapy.

The drug, called Zofran, prevents nausea in cancer patients. Analysts believe that about 2m people world-wide could eventually use the drug each year.

Analysts believe the drug's market is understated because existing products are no longer covered by patents, are not particularly effective, and often have severe side-effects preventing further treatment.

Barclays de Zoete Wedd, the stockbrokers, believe that Zofran alone could generate £460m ($730m) worth of sales by 1995 in a market worth $2.5bn to $3bn a year.

Analysts argue that the Zofran announcement is significant because it is the first of new generation of drugs to result from Glaxo's substantial investment in research and development during the 1980s.

The company has nine drugs in full-scale development, and as these come on stream so research and development costs will fall as a proportion of turnover.

"Glaxo is so large now that the announcement of a single product, no matter how significant in the world of pharmaceuticals, is not that important for the company," says Mr Steve Plag, a healthcare analyst at BZW. "However, this announcement demonstrates the dominance that Glaxo has in this market."

Glaxo says that the technology behind Zofran could have applications in the treatment of anxiety, schizophrenia, and drug addiction. The company is expected to announce later this year that it has applied for a product licence for a drug called sumatriptan to treat migraine.

Glaxo's shares rose yesterday 12p to 723p.

The Indian pub arrives in the heart of England

By Richard Tomkins, Midlands Correspondent

INDIAN restaurants and take-aways are familiar sights in Britain, but now the Indian pub has arrived in the English West Midlands.

In one pub in the city of Coventry the usual fare of pies or scampi and chips is being ousted by a new type of bar food which local people have named "curry in the basket."

This is not as messy as it sounds – the curry comes on conventional plates – but the phrase neatly expresses the concept of Indian food served with pints of beer in an otherwise conventional pub.

Mr Preminder Bains, 37, an engaging Kenyan-born Sikh who has been running pubs for the last 14 years, is the man behind the idea.

In 1985 he and his Indian-born wife, Jatinder, took over the tenancy of the William IV, a spacious, old, Mitchells & Butler's pub in Coventry, and added home-made chicken curry to the menu.

"Pretty soon we noticed everybody was ordering the chicken curry, so we started introducing one or two more Indian dishes and it just took off from there," says Mr Bains.

The pub now offers a menu of almost exclusively Indian food that includes special dishes created by Mr and Mrs Bains and the more familiar restaurant favourites. The food has earned the couple several awards.

The pub, which has been refurbished by M & B, is particularly popular with business and professional people and is starting to attract customers from well beyond Coventry.

The concept is also encouraging imitators locally. However, Mr Bains says he has a secret weapon against competitors – he claims to have found a method of cooking that leaves no smell of curry on the breath.

Meanwhile there is always the inevitable ploughman's lunch on the menu.

NORTHERN IRELAND

Accusations put strain on joint Unionist pact

By Our Belfast Correspondent

THE JOINT Unionist pact against the Anglo-Irish Agreement appeared to be under strain last night after a senior member of the Rev Ian Paisley's Democratic Unionist Party accused the Ulster Unionist Party of betraying the Northern Ireland electorate.

Mr Sammy Wilson, DUP press officer and a former Lord Mayor of Belfast, said there was collusion "at the highest level" of the Ulster Unionist Party to break every promise made to the DUP and the electorate.

In a hard-hitting statement, Mr Wilson said his party would no longer give cover to the Ulster Unionists in its "betrayal of the Northern Ireland electorate" nor act as a crutch for "this political cripple."

He said decisions by Ulster Unionist councillors to renew contacts with British Government Ministers and the decision of Mr Ken Maginnis, the Ulster Unionist MP for Fermanagh South, to meet Mr Charles Haughey, the Republic of Ireland's Prime Minister, contradicted election pledges.

Mr Maginnis insists he will not be negotiating with Mr Haughey but simply putting forward the Unionist case.

Mr Wilson also criticised Mr James Molyneaux, the Ulster Unionist leader, claiming he had laid down new terms which restricted progress on devolution. "It seems the party is more interested in avoiding internal splits than getting a replacement of the Anglo-Irish Agreement," said Mr Wilson.

"It would appear that some Ulster Unionists can more easily live with the Agreement than face the internal party problems caused by going for devolution.

"The pretence of unity should not be maintained when the Ulster Unionist Party has broken solidarity with the people of Northern Ireland on every front," he said.

Mr Wilson's statement has thrown a question mark over the united front shown by Mr Paisley and Mr Molyneaux on the Agreement although it was unclear if the DUP leader shared his colleague's remarks. Mr Paisley and Mr Molyneaux were unavailable for comment.

UK NEWS

Uncertainty over leadership fuels fears of financial market reaction

Government rallies to Thatcher

By Philip Stephens, Political Editor

THE Government yesterday redoubled its efforts to quash rumours about a challenge to Mrs Margaret Thatcher's leadership amid concern that the speculation was unsettling financial markets ahead of next Tuesday's Budget.

Mr Kenneth Baker, the Conservative party chairman, led a chorus of statements from senior figures in the party insisting that the Prime Minister would lead the Government into the next election.

The rumours – for which no firm evidence has emerged at Westminister – were dismissed again by Downing Street as "media invention".

Senior ministers, however, said that they had become sufficiently threatening to confidence on financial markets to merit a firm reaction.

The fall in sterling's value over the past few days, combined with yesterday's figures showing a surge in retail sales, have reinforced expectations among the Government's supporters that Mr John Major, the Chancellor of the Exchequer, will be forced to unveil the toughest Budget seen since 1981.

That in turn has deepened fears that the Budget could be followed two days later by a spectacular defeat for the Government in the Mid-Staffordshire by-election, in the English midlands, and by heavy losses in the May elections for seats in local government.

Although it is defending what should be an unshakeable majority of 14,600 in Mid-Staffordshire, ministers are now openly conceding that the unpopularity of the new local poll tax and of high mortgage rates could deliver the seat to the opposition Labour Party.

There is a suspicion that opponents of the Prime Minister within the Conservative Party are attempting to create a climate in which she could face a challenge if the Government's fortunes in the opinion polls do not improve later this year.

Mr Michael Heseltine, the former Defence Minister, continued to dismiss, however, suggestions that he was preparing to oppose Mrs Thatcher.

There have been signs of a growing "bandwagon" of support among Members of Parliament for Mr Heseltine, but he has gone out of his way to distance himself from the speculation about plots.

Tomorrow he will seek to underline his loyalty by campaigning for Mr Charles Prior, the Conservative candidate in Mid-Staffordshire.

Mr Baker, who discussed the spate of speculation at a meeting yesterday with Mrs Thatcher, dismissed a series of recent opinion polls suggesting that up to a quarter of Conservative MPs would like to see Mrs Thatcher replaced.

He told BBC Radio that: "The party wants Margaret Thatcher to continue as their leader. She has won three elections. She is a very successful politician and a world figure. She will lead us to victory in the next election."

That view was being echoed in private by Mr Timothy Renton, the Government chief Whip, in charge of party discipline at Westminster, who was said to be warning Conservative MPs of the damage caused by such rumours.

Other party managers warned that a contest would split irrevocably the Conservative Party and wreck its chances at the general election which is due by mid-1992.

Lord Whitelaw, the former Deputy Prime Minister, joined those making public statements dismissing the threat of a leadership election. He said it was in the best interests of both the Government and the country that Mrs Thatcher continued to lead the party.

Anti-inflation strategy questioned as retail sales rise by 2.4%

UK economy fails to respond to treatment

SIGNS that the British economy is unresponsive to the Government's policy of high interest rates came yesterday with an official report of a surge in retail sales, writes Rachel Johnson.

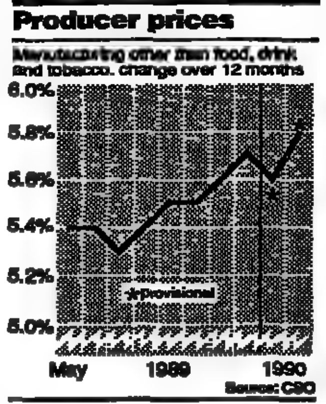
The Central Statistical Office's announcement of a 2.4 per cent rise in the volume of retail sales in February was a shock for the City, as it appeared to undermine the credibility of the Chancellor's anti-inflation strategy a week before the Budget.

The markets had been hoping for a marginal 0.2 per cent rise as evidence of subdued consumer demand.

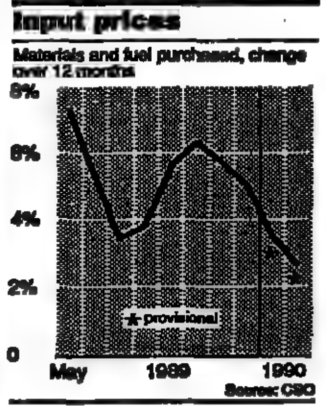
"It is true that the economy is not slowing as rapidly as we expected," the Treasury said.

The unwelcome resilience of high street spending prompted speculation that the Chancellor would be forced to raise taxes in next Tuesday's Budget. Mr Roger Bootle, economist at Greenwell Montagu, said it was now obvious that a further rate rise would not work – leaving a tight Budget as the Chancellor's last remaining option.

Producer prices



Input prices



Although analysts said that the Government's current political position was too fragile to bear a rise in interest rates above 15 per cent, the key three-month interbank rate ended at around 15⅛-15¼ per cent, up ⅛ from Friday's close.

Sterling however, registered only small losses, as it had been oversold at the end of last week. It closed at 86.3 on the Bank of England's trade-weighted index, after having fallen more than a point to close at 86.6 on Friday.

The pound has come under severe selling pressure during the current uncertainty about the position of Mrs Thatcher, the Prime Minister, mainly as a result of mounting protest against the community charge.

Market sentiment has been further weakened by a run of poor economic news.

Last week it was revealed that consumer borrowings are at record levels, while growth in the Government's chosen money supply series, M0, has been expanding faster than the Treasury would like.

The 1.3 per cent retail sales growth in the three months to February, however, was a better guide to the underlying trend and showed an improved consumer response to tight monetary policy, the Treasury said.

Ms Margaret Beckett, shadow chief secretary to the Treasury, said there was "yet more evidence that the Government's one-club policy of high interest rates whilst hurting, is certainly not working."

Figures released yesterday showed that underlying inflation was rising. Producers' output prices increased 0.4 per cent to 5.4 per cent in February, the provisionally-adjusted index of retail sales stood at 125.0 (1985=100) in February after an adjusted 123.1 in January.

THE GUINNESS TRIAL

Court told Saunders had planned to take company out of Britain to Irish Republic

LORD IVEAGH, president of Guinness, claimed yesterday that following the appointment of Department of Trade and Industry inspectors to investigate the company in 1986, Mr Ernest Saunders, the chairman and chief executive, had wanted to move Guinness out of Britain to the Republic of Ireland.

Giving evidence at the beginning of the fifth week of the Guinness trial, Lord Iveagh, who was the company's chairman between 1962 and 1986, also alleged that Mr Saunders had campaigned to depose him as chairman and had kept him in the dark about the progress of Guinness's bid for Distillers in 1986.

Lord Iveagh agreed that during the time Mr Saunders was at the company Guinness's share price had risen from 50p to £3 and that the value of Lord Iveagh's personal shareholding, and those of other members of the Guinness family, had increased sixfold.

The Guinness president is giving evidence at the trial at Southwark Crown Court of Mr Saunders, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City of London stockbroker, and Sir Jack Lyons, the millionaire financier.

The four have denied charges arising from an allegedly unlawful share support operation mounted by Guinness in its battle with Argyll to take over Distillers.


Lord Iveagh: evidence given at the Guinness trial

Questioned by Mr John Chadwick, QC, for the prosecution, Lord Iveagh said that in January 1987 Mr Saunders had telephoned asking if he could come and stay with Lord Iveagh in Ireland.

"He said, 'I would like to take the company out of the British jurisdiction and put it in the Irish jurisdiction,' and 'please have lawyers present.'

"I suggested to him that was ludicrous," Lord Iveagh added.

He said the telephone conversation had taken place a few days after Mr Olivier Roux, then Guinness's director finance, had told the Guinness board his version of certain events during the takeover.

Lord Iveagh said that Mr Saunders had come to him in Ireland saying "he wished to tell me all." In the event, Lord Iveagh said, "he told me nothing."

Cross-examined by Mr Richard Ferguson, QC, for Mr Saunders, Lord Iveagh agreed that he had never complained at board meetings about not being kept fully informed. He had, he said, regarded it as a personal matter between himself and Mr Saunders and had not wanted it to get in the way of the good job Mr Saunders was doing.

Mr Ferguson: "So long as things were going well you were content?"

Lord Iveagh: "I did not wish to rock the boat while things were going well."

Mr Ferguson: "But once there was a whiff of scandal, once Mr Saunders' name was put forward as the person responsible, you changed your attitude ?"

Lord Iveagh disagreed.

He agreed that after Mr Saunders had stood down as chairman and chief executive he had said on television that he stood beside Mr Saunders as a friend and colleague. He also agreed that he had not subsequently communicated with Mr Saunders.

"This was a man who had made a lot of money for the company," Mr Ferguson said.

"He had done well for the company," Lord Iveagh agreed.

"And for you ?"

"And for me," agreed Lord Iveagh.

The trial continues today.

Scotland signals end to ambulance dispute

By Diane Summers, Labour Staff

AMBULANCE workers are expected to show a strong vote in favour of accepting a complex pay deal when results of a national ballot are announced this afternoon A return to normal working is likely by the end of the week.

This follows more than six months of disruption during which the army and police have answered emergency calls in many parts of the country. Ambulance unions had wanted their pay to be linked to emergency services such as the fire service but this demand was finally dropped.

Pay increases will cost 13.3 per cent over two years, according to National Health Service Managers. However, union leaders emphasise that pay for qualified ambulance staff would rise by more than 22 per cent between April last year and October this year.

The first signs of strong acceptance by 22,500 ambulance workers for the deal came yesterday from Scotland where Transport and General Workers' Union members voted by a four to one majority in favour.

Mr Bill Campbell, T&G Scottish organiser, was surprised by the size of the majority. "I would have thought it would be much closer than it actually was," he said.

Ambulance crew leaders in Liverpool and London, where some stations have been on all-out strike, were predicting a narrow national majority in favour of the deal.

The breakaway Association of Professional Ambulance Personnel representing about 3,500 ambulance workers, announced that its own ballot showed acceptance by 85 per cent of crews and 92 per cent of officers. The non-Ttrades Uunion Congress affiliated body faced mass resignations from the ranks last year when its executive recommended acceptance of a 9 per cent offer.

FT LAW REPORTS

Revised guide smooths Commercial Court procedures

STATEMENT
Commercial Court:
Queen's Bench Division:
Mr Justice Hobhouse:
March 9 1990

ALL COMMERCIAL Court practitioners should thoroughly familiarise themselves with the revised Commercial Court guide which comes into effect on March 19 1990 and, as directed by the Lord Chief Justice, should follow its procedures as from that date, subject to the Supreme Court Rules and individual orders.

MR JUSTICE Hobhouse, Judge in charge of the Commercial Court, so stated with regard to the new edition of the Guide to Commercial Court Practice which was the subject of a Practice Direction issued by the Lord Chief Justice on March 5.

The Lord Chief Justice directed that the Commercial Court practice as set out in the revised edition of the guide should now be followed, subject to the Rules of the Supreme Court and any orders that may be made in individual cases.

The Practice Direction is set out on page 36 of the revised guide which, for a fee of £2, can be obtained from the Fees and Forms Room, room 278, at the Royal Courts of Justice. Interleaved with the guide are "user friendly" forms - an information sheet for summons for directions and a pre-trial check-list.

Queries should be addressed to Mr David Bird or Mrs Mary Smith at the Commercial Court Listing Office, room 61.

HIS LORDSHIP said that the Commercial Court existed to provide an expert and efficient means of dispute resolution for those employed in commerce, particularly international commercial activities typical of the City of London.

Commercial activity had to be underpinned by a system of law and by institutions which enabled disputes to be resolved and rights to be ascertained and enforced.

The legal services available in the UK and particularly in the City represented a body of expertise which had helped to make London a dominant forum of choice for arbitration and litigation.

The Commercial Court enabled those services, legal, non-legal and arbitration, to be supported by a Court which was familiar with the subject matter of the relevant transactions and activities, could call on a developed system of commercial law and provide procedures especially suited to the needs of commercial people.

Those whose cases came before the Commercial Court included a large number of foreign parties who came to London for legal and other services - insurance, banking, commodity contracts, ship chartering and management, arbitration, etc.

Figures as high as 80 per cent were often quoted for the number of times a foreign name appeared in the formal title of an action.

While those figures demonstrated confidence and respect overseas for the Commercial Court and for London legal and arbitration services, they also indicated the scale of export of the City's commercial services, and the Court's importance as an adjunct to those services.

The Guide to Commercial Court Practice was concerned with the Court's procedures.

The first edition, published in 1986, proved its worth in assisting practitioners to make the most effective use of those procedures.

The new edition took that objective a step further bearing in mind two important considerations.

First, the range of cases coming before the Court was highly diverse and the procedures must be flexible and adaptable so that each case could follow the procedure most suitable for it.

Secondly, any procedure must be capable of justification in the interests of justice and saving of costs.

Every step in litigation involved cost, often high cost. Such cost must be effective and justified having regard to the litigation as a whole.

Both those considerations were relevant to the summons for directions and its fulfilment of the requirements of RSC Order 25.

The new edition paid particular regard to this.

The information sheet should provide practitioners and the Court with a check-list for preparation of the action for trial (or earlier resolution) and, if used in conjunction with standard directions, should assist in obtaining an efficient and effective hearing with minimum cost and delay.

The Court's adaptability, and the experience and expertise of practitioners, enabled a large proportion of cases to be resolved without the need for trial or full trial.

Many disputes arose because the parties or their advisers did not at the outset have sufficient factual and evidential information to enable them to say which party was right.

The Court's procedures enabled them to obtain that information well in advance of trial date, particularly by exchange of witness statements.

Those procedures meant that increasingly the proportion of parties who needed to take up the allotted trial date had been dropping and the length of trials had been greatly reduced.

In the last five months, more than half the trials had not lasted for more than two days and more than four-fifths had taken no more than four days.

The saving in costs to parties was significant and the Court was able to offer trial dates that broadly corresponded to the time required to prepare for trial.

On the whole, longer trials required a longer lead time and shorter trials less time.

In either case, the Court could now broadly meet parties' expectations regarding the time that their case should be brought to a conclusion.

Delays were not necessary.

When a particularly speedy decision was required and appropriate the Court could provide it.

The situation represented a marked change from the position in recent years when unsatisfactory delays had to be accepted. That was no longer the case.

As had been stated on a number of occasions and was repeated in the preface to the guide, the Commercial Court Committee was always interested to receive the views of any user of the Court regarding the service provided.

The forms appended to the guide might be revised from time to time in the light of experience of their use.

It was confidently expected that the new edition of the guide would be as successful as its predecessor.

It was incumbent on all practitioners before the Court to thoroughly familiarise themselves with what was said in the new guide and, as directed by the Lord Chief Justice's Practice Direction, to follow the procedures there set out subject to the Rules of Court and any orders that might be made in individual cases.

Rachel Davies
Barrister

FINANCIAL TIMES CONFERENCES

THE SEVENTH EUROPEAN PETROLEUM AND GAS CONFERENCE
21 & 22 May 1990 - Amsterdam

H E Issam Al-Chalabi, the Iraqi Minister of Oil, will deliver the keynote address on the development of Middle East oil production at this topical two-day conference and Dr Subroto, Secretary General of OPEC, will speak on OPEC pricing policy.

Other authoritative speakers will assess the impact on the European petroleum and gas industries of the major political and economic changes currently under way in Eastern Europe and will examine the growth in demand for natural gas in Europe; the effect of increased oil and gas consumption on the environment and the costs of environmental protection.

The conference is timed to coincide with Petrotech 90 which will be held at the RAI International Exhibition Centre.

EUROPEAN TRANSPORT IN THE 90s
21 & 22 May - London

The Financial Times second transport conference will focus on the problems and challenges facing the industry in Europe in the 90s and debate the financing and planning of transport infrastructure to meet future growth traffic demands. The opening address will be given by the Rt Hon Cecil Parkinson, MP, Secretary of State for Transport and the list of distinguished speakers will include Eduardo Pena, Director-General for Transport at the European Commission; Andre Benard, *Co-Chairman* of Eurotunnel, Bernard Lathiere, Chairman, Aeroports de Paris; Brian Unwin CB, Chairman, HM Customs & Excise; John Fletcher, Managing Director - Corporate Development, Trafalgar House and Dirk Goedhart, Managing Director - Corporate Forwarding, Philips International.

MANUFACTURING STRATEGIES IN THE 90s
23 & 24 May - Birmingham

This high-level forum, to be arranged in association with KPMG Peat Marwick McLintock, will look at the growing pressures on manufacturers to introduce changes to compete in increasingly competitive world markets. The need for flexibility to speed the introduction of new and more customised products will be reviewed, as well as the reshaping of the industrial structure and the prospect that relations with suppliers will become deeper and more intricate.

Speakers include: Sir Robin Nicholson, Executive Director, Pilkington plc; Dr Gerald Avison, Managing Director, The Technology Partnership Limited; Professor Terry Hill, Professor of Operations Management, London Business School; Peter Wickens, Personnel and Information Systems Director, Nissan Motor Manufacturing; Alex Wilson, UK Manufacturing Operations Director, IBM UK Ltd; Sue Lyons, Director of Manufacturing Engineering, Rolls-Royce plc; Dr Peter Lawrence, Director of Logistics, GTE Sylvania SA and Norman Price, Group Operations Director, Triplex Lloyd plc.

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Other speakers include Mr Stephen Bechtel Jr, Chairman, Bechtel Group, Dr W F Duisenberg, President, De Nederlandsche Bank, Mr Francesco Gallo, International Director, Fiat, Mr Ryoichi Kawai, Chairman, Komatsu, Dr Axel Lebahn, Director, Deutsche Bank, Dr Klaus Liesen, Chairman, Ruhrgas and Mr Otto Wolff von Amerongen, Chairman, East-West Trade Committee.

The programme will cover the nature of political change in the USSR, the economic reform programme, finance and trade prospects and importantly, how the West should respond.

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Paint before politics

William Packer on a partial view of Pissarro

In art history, as in any academic study, there are no absolutes but one, and that is that there are no absolutes. All received wisdom, all presupposition, is open to question and revision, and we live in revisionist times. But Impressionism? Is nothing safe? The truth is that that particular sobriquet was born of critical derision, survived by convenience and flourished in an easy familiarity and popularity that for far too long forestalled any serious re-examination. And as so often with such things, all that was needed was a sceptical puff or two for the whole critical image to fade away.

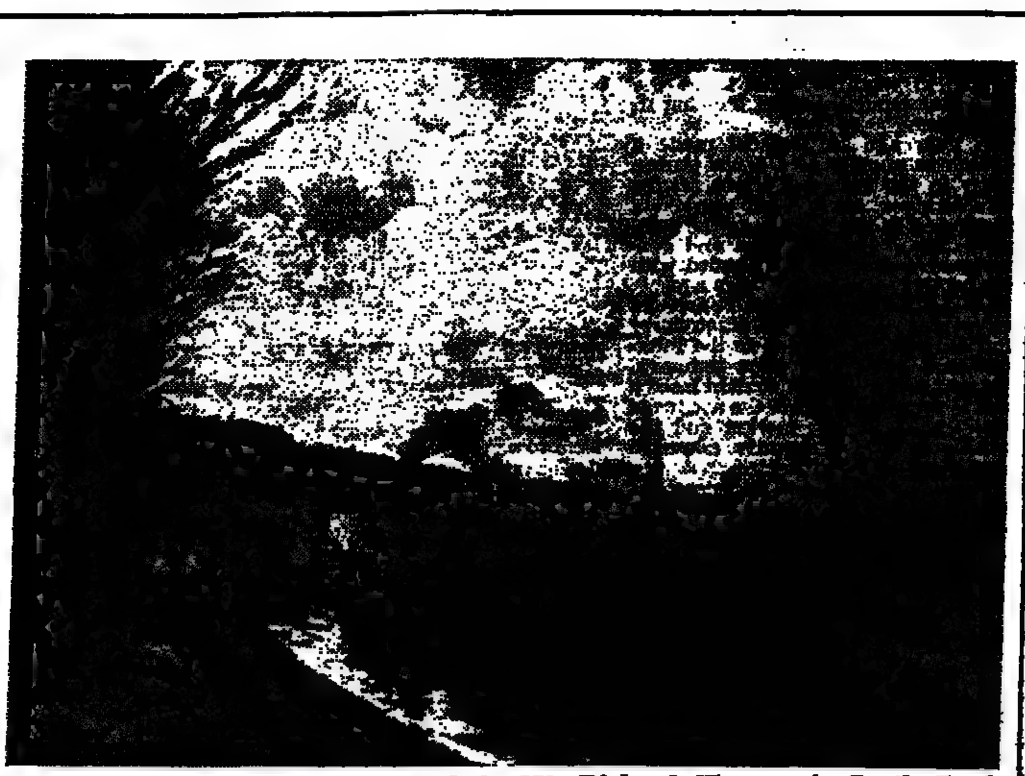
While Impressionism may still linger teasingly in the collective mind's eye, its supposed constituent artists, taken as individuals have been getting the critical treatment. The latest to receive it is Camille Pissarro, the archetypal impressionist or so one might have thought, who is now the subject of an intriguing study by Richard Thomson, one of the leading younger scholars in the field. Small though it is, the touring exhibition Thomson has organised for the South Bank Centre, now at the Birmingham City Art Gallery (until April 22, then on to the Burrell Collection, Glasgow: sponsored by The Royal Bank of Scotland), is the first major study of Pissarro since the Arts Council's own full retrospective at the Hayward in 1980.

But this show offers no comprehensive overview of the artist's life and work. Subtitled "Impressionism, Landscape and Rural Labour," it is unashamedly partial in the view it takes, and oddly paradoxical in its effect. For Thomson takes his cue from Pissarro's writings and known anarcho-socialist ideals, and in taking an essential literal view of the work, in terms of image and subject matter, he presents a technical variety that is altogether unexpected. There are examples enough, of familiar Pissarro, closely worked with a dense accumulation of rather small, dry strokes of pigment to achieve the characteristic effects of atmosphere and light. But here too is the broader handling of the young artist of the 1860s, the darker, more dramatic tonality, the blacks and greens of Courbet, Manet and Daubigny. And here too is the symbolist of the 1880s and '90s, combining overt and mannered pointillism with a simplified, no less mannered imagery of the peasant ideal and the dignity of labour. It is unfortunate only that the idealised figurative compositions, which Pissarro evidently took very seriously, are also the weakest, for he was never a master of the figure.

Thomson's thesis is that Pissarro was ever torn between the observed and the ideal, between the reality of a countryside in process of industrial spoliation and suburban encroachment, and the rural idyll of his imagination. It follows from this that what we might so readily take as the observed reality of Pissarro's vision must never be taken without question, but always to some extent as wish-fulfilment. What, we must always ask ourselves, was the true state of the countryside at the time of the particular work, what the economic condition of the peasantry, what the interdependence between the rural and urban economies.

This is the sociological school of art-history, and it has to be admitted that it has its place. All artists are creatures of their times, bent and swayed by contemporary mores, fashions, politics and art. Thomson is very good on the historical and social context, fascinated especially by the Parisian sprawl into the suburbs and the towns along the Oise and Seine to the north and west, so familiar to us still in the sunlit canvasses of Monet and Renoir, Sisley and Pissarro.

The only question is how far should he go, for the context is never the whole story, and no work of art ever merely a social or political tract upon its material source. As he painted the kitchen gardens at l'Hermitage in the hazy morning sun, Pissarro may well have reflected upon the destination of the vegetables before him in the markets of Paris, and pondered for a moment or two their ultimate bourgeois fate and the social exploitation that contrived it. But while such considerations may be interesting and even salutary, of themselves they hardly make the work as such a true work of art. Only the artist's inalienable touch, experience, sensibility, intuition, imagination,



Pissarro's 'The Seine at Port-Marly,' 1872: Richard Thomson's South Bank Centre exhibition is currently on tour at the Birmingham City Art Gallery

thrown all together in critical but unpredictable combination, could do that. As he worked, Pissarro would have been thinking only of what was there before him, as he saw and felt it, and getting it right and true in his response. Painting is about painting, first and last, or it is about nothing.

*

While in Birmingham, two other galleries are usually worth a visit. The Ikon (John Bright Street, behind the station) was between shows last week, so I can say no more of its collaboration with Manchester's Cornerhouse, "Transcontinental," a show of nine artists from Latin America, other than that it runs from March 24 to May 5.

A short walk beyond the City Art Gallery into the reviving Jewellery Quarter, at Newhall Court, 57 George Street B3, is Midlands Contemporary Art which Clare Stracey opened late last year as Birmingham's very first private gallery dealing in contemporary art — not before time for our Second City. Mrs Stracey plans to hold four or five shows a year, working otherwise by appointment (021 233 3518). The current offering (until March 30) is a double-header, of drawings and etchings of Britain's megalithic monuments and Black Country landscapes by David Gunning, and photographs by Gary Kirkham of factories and foundries in the Black Country. The shows consciously complement each other, with Gunning's large and freely handled drawings, which he sees as complete and final statements, especially impressive.

Weekend song recitals in London

The Yugoslav mezzo Marjana Lipovšek has been heard here once or twice in the concert hall, and in the Royal Opera's current *Elektra* her Clytemnestra is much praised, but until Saturday she had not given a song-recital in London. It was worth waiting for; in fact it was an unqualified triumph. Her impressive CD of last year (*Lieder* by Mahler, Schreker, Strauss and Wolf: Orfeo C 178 891A) hadn't prepared us for the full glory of the live voice, nor her unmistakable musical authority on the platform at the Wigmore Hall.

The Lipovšek timbre represents a kind of mezzo ideal: rich, burnished and penetrating, voluminous and flowing, at once deeply sexy and restrained. Other mezzos can fake it in certain songs, but Miss Lipovšek's vocal art — and art it certainly is, not just genetic luck with native woodnotes — glows securely over a comprehensive range, down smoothly to ripe chest-tones from a commanding top, with a middle region which is broad, even and all gold. (As a first-timer at the Wigmore, she sometimes applied more operatic force than she needed to at the top.) She disdains vocal tricks, though in Mussorgsky's enchanting *Nursery* cycle she distinguished between child and nanny with precise tact, and her platform gestures go no further than natural signals of mood-changes.

She was winningly direct and alert, but never cute, in *The Nursery*. Her five Brahms songs and her Schumann *Liederkreis* (the op. 39 cycle, on Eichendorff poems) demanded more sculpted phrasing, which Miss Lipovšek provided with judicious ease: her intelligent care for the words was complemented by long-breathed, beautifully shaped musical curves. Less judicious, I thought, were her predominantly slow tempi for the *Liederkreis* — persuasive enough song by song (even in her sepulchral, quite un-sardonic "Auf einer Burg"), but excessively grave for the whole cycle. That isn't to say that one didn't hang upon every note; still less that in Brahms she proved to be anything other than a radiant, selfless interpreter. At the piano Geoffrey Parsons, in excellent form, seized his rare, rewarding opportunity to explore Schumann's and Brahms' Lieder: liable with baritones to make for bottom-heaviness, and too threatening for most mezzos, but perfectly in order with Miss Lipovšek's potently centred, buoyant line. I predict that for the next twenty or thirty years, tickets for her recitals will be scarce as hens' teeth.

David Murray

It was a busy night for singers on Saturday. At Covent Garden the versatile American soprano Maria Ewing was giving a solo recital every bit as idiosyncratic as her appearances in opera here will have led audiences to expect.

An apology was made at the beginning of the evening that the singer was suffering from an infection. But it was not the health of the voice that made the eyebrows rise so much as what she does with it — the extremes of volume, the sudden lurches of the vocal line, the delight in seizing unexpectedly upon some inoffensive little word and squeezing it until every drop of meaning has been extricated.

To call this style of singing unidiomatic would be an understatement. If you had been brought up on a desert island without these songs among your chosen discs, it is unlikely that you would end up with a pot-pourri of interpretations as personal as these. No singer raised in the German tradition would ever countenance a manner of singing Brahms and Strauss that allowed the voice to sail happily away leaving whole sentences unspoken, as Miss Ewing did here. In Debussy's Baudelaire settings the French language fared better, though even there the singer indulged any amount of suggestive emphasis quite at variance with the neat and deferential playing of her accompanist, Randall Behr.

The problem is that Maria Ewing works twice as hard at interpreting the song repertoire as is necessary and the more effort she puts in, the less the songs respond. That, unfortunately, is the musical law of diminishing returns.

Richard Fairman

Joan Rodgers became on Sunday the latest in the line of notable recitalists to appear at the Recital Room of the newly refurbished and revitalised Blackheath Concert Halls. The place is intimate, with excellent acoustics; all evening Miss Rodgers's light-lyric soprano sounded ravishingly beautiful there. She is a young singer who is maturing in the way one dreams every artist will — honestly, and at her own pace. In the early 1980s a Wigmore Hall recital showed her to be more than promising, less than fully finished; now, without any loss of peach bloom on the tone, the singing has gained polish, authority, and that special distinction that informs the work of a born song-recitalist.

Miss Rodgers is blessed with the looks of a Dresden shepherdess, or an English rose, according to taste, and the voice to go with them. She could get away with all the charm-tricks in the world, if she wanted to. But plainly she doesn't want to — one sensed a vein of intellectual sophistication and toughness running through her interpretations of Chaikovsky (who provided most of Sunday's choice of songs), Debussy, and Liszt that removed all danger of rococo prettiness.

This must be at least partly because she is a singer who takes delight in *words* — not just Russian words (of which we know her to be a student and translator), but French and German as well. In this respect the Liszt songs, with Roger Vignoles a piano partner of perfectly attuned sensibility, were perhaps the recital's most striking successes. "Kling leise mein Lied," with each of its octave leaps exquisitely shaped, seldom carries such deep, unaffected grace. There were endless beauties of similar kind in the Chaikovsky groups; only Debussy's more "interior" modes (in the chosen Verlaine songs) leave areas still to be completely explored.

Soprano and pianist give a Wigmore recital next month, with a similar programme: strongly recommended.

Max Loppert

Edge

THE PLACE

The dancer/choreographer of Sue MacLennan has a characteristic twitchiness to her. It's as if she'd drunk six cups of black coffee too many. Even in slow and flowing movements, this nervous staccato quality hangs around her, and she gives it to her co-dancers. Occasionally in the past it has given her an interesting sort of impetus. More often, though, it has looked merely like fidgetiness. As in her new work, *Edge*.

MacLennan occupies an odd position in British new dance. For at least 10 years, she's been so obviously more competent, as a performer and choreographer, than many of the other prominent figures of our new-dance scene. She uses fast as well as slow, and that's rare in this field. She uses lots of jumps, and that's rarer.

But who is she? Does she have a style? In *Edge*, which lasts just over an hour, she seems to be trying on different idioms, more than half-a-dozen of them, like items from all the fashion shows. I saw MacLennan and Co. modelling archaic 2-D bas-relief profiles (with torsos squared), stretched legwork topped by curving torsos (as in Martha Graham or Merce Cunningham), through-the-body rippling current (as in Trisha Brown), absurdist mime (one dancer cracked an imaginary egg on another's head), and many other details, but . . .

But no serious connectedness to it, and no fine care for quality of motion. The movements were linked as phrases, the shape of those phrases didn't feel rewarding at the time, nor do they in memory. The tone was thin and dry, even in jumps and mime. The three co-dancers, all smallish, seemed to have been selected for mere efficiency; the choreography seldom appeared to be about them, though some of the Trisha Brown material proved becoming on Andrea Buckley. It's a beastly thing to say, but, if I hadn't known, I'd have thought this choreography was French.

In the programme, MacLennan tells us that she has been researching current scientific theory ("Spin, energy, speed, collision") and reading Carol Hill's novel *Amanda and the Eleven Million Mile High Dancer*. Of course. The dancers wore translucent white pieces over pyjamas — very Trisha B. The designer Magdalen Rubalcava also placed three glass hemispheres on the floor, each containing a different biological specimen. The only part of the designs — or, for that matter, of the whole show — that I wanted to see again was the two mysterious phials of luminous liquid in which vivid globules slowly merged and split and oozed up and down.

The changefulness of the dance was matched by that of Lindsay Cooper's score. Like MacLennan, Cooper herself performed this with three colleagues, each of whom played three instruments, amplified. The music was, I suppose, minimalist jazz. It fell as you listened into repetitive bass patterns and fragmented melodic lines. There was more drive, but not more coherence, than in the choreography. I felt I could spot all the numerous occasions when MacLennan and Cooper and Cos. had taken their coffee-breaks.

Alastair Macaulay

Pericles

HAYMARKET STUDIO, LEICESTER

It was good to see a sold-out house raptly attentive to a Shakespearian novelty in the Haymarket's little studio space last Friday. For the number of regional houses prepared to tackle uneconomic Shakespeare — any play, that is, not on this year's school syllabus — is dwindling rapidly.

Simon Usher's carefully anti-romantic, anti-chivalric production certainly does not play safe. The characters, male and female alike, wear Burberries over modern clothes, except when the shipwrecked Pericles plays a scene naked. The play opens with microphones either side of the cleft sloping platform stage, emphasising the public nature of the riddle that Antiochus and his daughter have set her suitors. As the light brightens we realise the shapeless sack before the stage is full of human heads. The king's incestuous daughter, in black veil, twitches mechanically at a withered bouquet as the nature of the sinful relationship unfolds — the couple recoils in unison, hand to brow in identical stylised guilt — culminating in what appears to be an orgasmic wheelbarrow race. These opening scenes grab and keep the attention, thrilling in their starkness.

Thereafter things are erratic. The production's scrupulous avoidance of emotional embroidery in this picaresque adventure story of the ancient Levant is sometimes apt, sometimes mannered, sometimes infuriating. The pageantry of the tourney at Pentapolis where Pericles, as wandering stranger, wins the heart of the princess Thaisa, is stylised into rows of chairs and glum-looking knights monotonously droning their lines as they stare at us over chipped mugs of celebratory wine. The informal scenes are stiff. "Honest mirth becomes their labour," remarks Pericles of the most dismal lot of fishermen you would find even in EC waters.

The well-behaved audience should have let their mirth out more with Fenella Fielding's Bawd. A passable wicked queen from *Snow White* when cooing out homicidal instructions as the jealous Dionyza, Miss Fielding comes into her own amidst Mitylene low life, erupting through one of the trap doors in Anthony Lamble's set to lament the rotten stock of the brothel's wares much as a greengrocer regrets poor quality suppliers. A sort of naturalism reigns again, and this great comic performance suggests how much impact the play has lost in the production's obdurately unbending stylisation.

However, the story's symmetry is well brought out, starting with a corrupt father-daughter relationship and ending with a reaffirmation of normal family ties as Pericles is united with his loved ones after his odyssey. Notably good performances from the company — and it is, a rarity these days, an ensemble — include Kevin Costello's well-spoken Pericles; Valerie Grogan in a set of Ophelia variations ranging from guilt-obsessed neurosis to the wordless moaning of bereavement; and Sarah Whitman's un-sugary Marina - cool, rueful, melancholy, able to utter such lines as "I trod upon a worm against my will but I wept for it" without raising a titter. One assumes the lapses into intimate semi-audibility, especially from Steven Beard's story-telling Gower, were at the producer's behest.

Martin Hoyle

Sidewind

BATTERSEA ARTS CENTRE

The Irish Arts Festival in London enters its final lap with a powerful and promising play by Ray Brennan, a young writer with television experience. *Sidewind* purports to tell of the wives and children of the Birmingham Six "through the bleak years of the 1970s." In fact it doesn't, quite. The play's structural defect is that it lacks a firm focus, as if the author were uncertain how much of the wealth of material to select; and an incidental disappointment is that it ends only with Lord Denning's putting the block on the family's efforts to sue the police. It does remind us, however, of the extraordinary implications of his Birdship's words that the expedient and suitable would seem to weigh more heavily than the mere pursuit of truth.

The play's first half is compact and taut, with some effortlessly and unself-consciously naturalistic writing. This is reflected in John Quinn's sinewy production for Portrait Theatre. The domestic scene is set as we meet the Birmingham Irishmen preparing to attend the funeral in Belfast of an IRA man who blew himself up planting a bomb at the Coventry telephone exchange. Sceptical, uneasy, hardly involved with the politics, they reluctantly decide to go for half-hearted personal reasons. The play assumes their innocence from the start; and we could do with more clarification of the author's convictions as well as the legal processes and political pressures that seemingly resulted in a media conspiracy to soft-pedal the case until recently.

For, of course, the six men were arrested for the Birmingham pub bombing that caused the deaths of 21 young people. The testimonies of brutal, bewildering interrogation make a strong end to Act 1, the men lined up formally, dispassionately repeating their statements. That the play is not a conventional Anglo-Irish polemic is made plain by the slightly less successful second half. The efforts to bring brutal prison officers to justice, to re-open the case, to bring charges against the police, are seen from the women's point of view. The drama becomes diffuse and in the case of the embittered married daughter of the oldest prisoner almost (but not) poetic as she sardonically addresses her baby, British-born as she is, on being English. Excellent drama-doc wars with Theatre with a capital T, to the detriment of both.

At a time when the miasma of corruption hangs over the whole area of policing in the West Midlands the play is a reminder of a case whose forensic basis seemed shaky long before the Guildford Four made us look uneasily on such convictions. The play fragments into isolated portraits, notably well done by Lesley Clare O'Neill as the Brummie wife who fights on, and by Veronica Duffy, hopelessly letting her marriage atrophy and wither as she concludes she is a widow without even a corpse to show for it. These two figures change, develop and expand in a way that reassures us about Mr Brennan's gifts as a playwright.

Meanwhile, this slightly uneven work, finely performed, evocatively lit, leaves us with such uncomfortable revelations that at least one confession signed by four prisoners was later disproved by forensic evidence "word for word, syllable for syllable."

Martin Hoyle

ARTS GUIDE

March 9-15

OPERA AND BALLET

London

Royal Opera, Covent Garden: the long-awaited new production of Strauss's *Elektra* is by Götz Friedrich, and is a particular triumph for Eva Marton in the title role and the conductor, Georg Solti. Further performances of *Otello*.

English National Opera, Coliseum: David Pountney's witty, sharp-edged production of Prokofiev's *The Gambler* is revived. Also in repertory Pountney's polemical (and problematic) *Traviata* production.

Paris

Théâtre des Champs Elysées. Borodine's *Le Prince Igor* in a new production by Warsaw's Teatr Wielki (47203637).

Opéra Comique. Mozart's *Idomeneo* performed by the Orchestra d'Auvergne conducted by Jean-Jacques Kantorow (42600499).

Paris Opera. Bejart and the Lausanne Ballet bring *Autour du Ring* created by Bejart to Wagner's music, to the Palais Garnier (47425371).

Vienna

Staatsoper. *Eugen Onegin* by Tchaikovsky. *Andrea Chenier* by Giordano. *Die Zauberflöte* by Mozart. *L'Italiana in Algeri* by Rossini. Ballet: *La Sylphide* by Lovenskjold, choreography by Peter Schaufuss.

Volksoper. *Eine Nacht in Venedig* by Johann Strauss. *Die Csardasfürstin* by Emmerich Kalman. *Der Zigeunerbaron* by Johann Strauss. *Wiener Blut* by Johann Strauss. *Die lustige Witwe* by Franz Lehar. *Die Hochzeit des Figaro* by Mozart. *Der Bettelstudent* by Karl Millöcker.

Milan

Teatro Alla Scala. Riccardo Muti conducting Mozart's *La Clemenza di Tito*, with Cheryl Studer, Susanne Mentzer, Ann Murray, Giorgio Surjan and Goesta Winbergh (Tues and Thur). (80.91.26)

Rome

Teatro dell'Opera. Alberto Fassini's production of Massenet's *Werther*, conducted by Nicola Rescigno, with Martha Senn and Alfredo Kraus (Tues). (46.17.55).

Teatro Argentina. The Riga Opera Ballet in an animated and elegantly danced production of the *Sleeping Beauty*, from which the second act is inexplicably missing (6544601).

Bologna Teatro Communale. Wagner's *Siegfried*, conducted by Peter Schneider, with Ute Vinzing, Wolfgang Fassler and Kurt Rydl (sung in German) (Tues) (529999).

Parma

Teatro Regio. Claude d'Anna's production of Verdi's *Ernani* conducted by Hubert Soudant. (Tues and Thur) (795678).

Madrid

Teatro Lirico Nacional la Zarzuela. *El Viajero Indiscreto* has its world premiere this week. It is a contemporary opera with music by Luis de Pablo and conducted by J.R. Encinar.

Berlin

Opera. Mara Zampieri repeats her much praised performance in the title role in *Das Mädchen aus dem goldenen Westen*. *Die Zauberflöte* features Elfie Hobarth, Edith Mathis, Jane Giering, Clemens Bieber, Christian Boesch and Bengt Rundgren.

Hamburg

Opera. The Ballet *Romeo et Juliet* has wonderful John Neumeier choreography. John Dew, the producer of Wolfgang Rihm's opera *Hamletmaschine* has made changes in the revived version to catch up with the political changes in Germany.

Cologne

Opera. *Salome* conducted by Cologne's music director James Conlon with Stephanie Sundine, outstanding in the title role. *La Finta Giardiniera* is well sung by Teresa Ringholz, David Griffith, Janice Hall, Darla Brooks, Andrea Andonian and John la Pierre.

Frankfurt

Opera. Johannes Schaaf made a very successful opera debut as producer of Shostakovich's *Die Nase*. The main parts are well sung by Alan Titus, Bodo Schwanbeck, Dieter Bundschuh and conducted by Oleg Caetani. *La Clemenza di Tito* has a strong cast led by Helena Doese, Alicia Nafe, Margit Neubauer and Vinson Cole.

Munich

Opera. *Der Freischütz* is a well done repertoire performance with Walter Raffeiner, Julie Kaufmann and Alfred Kuhn. *Le Nozze di Figaro*, conducted by Bernhard Klee features Jeanne Piland, Gudrun Wewezow, Hans Helm, Alan Titus and Alfred Kuhn. *Arabella* stars Gertrude Jahn, Lucia Popp, Julie Kaufmann and Peter Seiffert. Further performances of *Macbeth* and *Il Barbiere di Siviglia*.

New York

Merce Cunningham Dance Company. This great contemporary company has achieved its own classic status as shown in programmes that remain exciting despite their familiarity. Ends March 25. City Centre (581 7907).

Metropolitan Opera. Carlos Kleiber conducts Franco Zeffirelli's production of *Otello* with Katia Ricciarelli as Desdemona, Placido Domingo as Otello and Barry McCauley as Cassio. Performances continue of James Levine conducting *Die Entführung aus dem Serail* in John Dexter's production with Mariella Devia, Barbara Kilduff and Gosta Winbergh. Gian Carlo Menotti's production of *Manon Lescaut*. Lincoln Center Opera House (362 6000).

Washington

Washington Opera. Zack Brown's production of *Die Fledermaus*. *Aida* with Aprile Millo as Aida, Stefania Toczyska as Amneris and Vladimir Popov as Radames. (467 4600).

Tokyo

Tokyo Ballet and Jorge Donn: Maurice Bejart's Bolero. Tokyo Bunka Kaikan (Thur) (725 8888).

Maastricht Fine Art Fair

The Art Fair at Maastricht, in Holland, which runs until next weekend, March 18, bills itself as The European Fine Art Fair, and certainly within a very short time it has established itself as a major event in the fine art calendar. Whatever its continental pretensions, it is evidently well-organised, well-set-up, well-run and can only grow bigger.

The overall value put on the merchandise on offer, give or take a million or two, was about £250m, with the most expensive single item being a 17th century still life by Jan van den Uyt, offered by the Newhouse Galleries of New York at a cool £8m. The French dealers, still a little conspicuous by their general absence, are being assiduously wooed, and even they should be able to recognise a good thing when they see it. As it is, while one would expect the dominant presence to be the Dutch themselves, there are strong representations from Britain, Belgium and Germany. The North European Fine Art Fair might be nearer the mark.

The work on sale divides fairly evenly between pictures and antiques, the latter rich as much in variety as quality. The dealers in antique textiles make a particularly strong collective showing, with the antique Caucasian fragments shown by Bausback of Mannheim, and the kilims at Kailash of Antwerp, outstanding. There are a lot fine Oriental antiquities too, including some notable Han and Tang horses and riders, at Vandervens, Spinks, Eskenazi and Eberhart Hermann.

The pictures are a fairly mixed bag, insignificant in the contemporary field and surprisingly light in the modern in general. What there was of particular interest is, unsurprisingly, Dutch and of the earlier modern period, with good examples of George Breitner, Jacob Maris, Jongkind, Jan Sluyters and Isaac Israels especially, spread around a number of galleries, including Studio 2000 of Amsterdam and Carpe Diem. And Loek Brons, also of Amsterdam has an extraordinary group of neue sachlikeit paintings from 1930s to the 1960s, by Carl Willink, and the earlier the better.

The is a mass of unexceptional, albeit attractive 19th century genre of all kinds. The old master field is emphatically Dutch in its interest, with few spectacular items but a lot of quality and interest, including good Jan van Goyen and Salomon van Ruysdael at several stands, and the occasional Ruysdael and Wouwermans. David Koetser of Zurich has a fine large Teniers kermesse, and so too has Johnny van Haeften of London. Other London dealers with strong presences include Stephen Somerville, Richard Green and the St James's Art Group.

William Packer

FINANCIAL TIMES
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Storing up trade woe

IN RESPONSE to mounting pressure at home, the Bush Administration shows every sign of getting tough in its skirmishing with Japan over that country's large and persistent trade surplus with the US.

This is the message behind both the recent Bush/Kaifu summit and the current visit to Tokyo by Mr Robert Mosbacher, Commerce Secretary. Deadlines for action, some of them imposed by Congress, are looming thick and fast over the next three months. Unless President Bush can show results, he may have no choice but to impose sanctions under the US Trade Act.

This would destroy hopes of progress in the Uruguay Round of multilateral trade negotiations which remain the Administration's top trade priority for 1990. Although real change will come only as a result of macro-economic policy decisions in both countries, the US hopes to save face by persuading Japan to reform its retail laws that impede the opening of large stores. Congress is increasingly fixing on this as a sign of Tokyo's goodwill.

Japan should be wary of this muddled approach. Like the now-notorious agreement to increase foreign access to its semiconductor market of 1986, retail reform is a false solution. It would ultimately only inflame matters further by creating exaggerated expectations of improvement.

Macro-economic efforts have already reduced Japan's current account surplus to $57bn last year from its 1987 peak of $87bn. Short of introducing the kind of managed trade system that is now rapidly being unwound in eastern Europe, Mr Kaifu can do little to control the surplus with the US which remains stuck at $47bn.

Bilateral imbalance

US critics blame the continuing bilateral imbalance on Japan's low imports of manufactured goods. These amounted to just 4.4 per cent of apparent consumption in 1988. Japan should structurally change so that, proportionately, it imports as much as other countries, they say.

Yet Europe has exploited Japan's removal of trade barriers over the past decade better than the US, whose product mix is ill suited to the demanding Japanese market. In value terms, trade in cars between West Germany and Japan is now in rough balance. This alone shows that the Japanese market is no longer as impenetrable as some US critics think.

The residual barriers to imports that do remain are mostly cultural, rooted in consumer preference for local products and in the industrial *tradition of maintaining* long-term relations with suppliers. Mr Kaifu already has a policy of promoting imports. His Government cannot change national culture, however, by legislative fiat.

Competition rules

Particularly misguided is the emphasis on retail reform. France both restricts large store openings and has a trade deficit. There is no automatic connection with trade. Similarly Japan's labyrinthine distribution system operates against all new entrants to its markets, not just foreign ones. Using competition rules to attack it more aggressively would be economically beneficial because it would lead to lower prices but it would not necessarily raise imports.

More effective in dealing with the US complaint would be a full and effective liberalisation of public procurement. Japan should consider this carefully. Such a move could remove obstacles to a world-wide liberalisation which would be in Japan's own interest. Its highly-efficient firms would gain more business abroad than they lost at home.

In the short term, the only useful measures Mr Kaifu could take would be macro-economic ones designed to reduce Japan's global surplus. The need for such measures may grow as the weakness of the yen works through to its trade figures. If Mr Kaifu is feeling mischievous, he might offer to tax capital exports which are now running at some three times the level of payments surplus. This would raise the value of the yen at a stroke. The trade surplus would have to shrink but Mr Bush would have to look elsewhere to fund his twin deficits.

Regulating the financiers

EVERY STOCK market cycle invariably produces a crop of financial scandals. What differs from one cycle to another is the scale of the problem and the effectiveness of the regulatory response. By post-war standards the stock market recovery of the 1980s was exceptionally long, which goes some way towards explaining the number of high-profile financial scandals that now dog the regulatory authorities in those industrialised countries that have well-developed securities markets. Less easy to rationalise is the haphazard nature of the response.

At one extreme we have Drexel Burnham Lambert, promoter of the US junk bond market, which arguably owes its demise to a draconian fine of $650m. Fear of being charged under the Racketeer Influenced and Corrupt Organisations Act (RICO), which was designed to fight organised crime, encouraged the firm to plead guilty to felony charges under the securities laws; it had seen a smaller firm, Princeton-Newport, go into liquidation pending trial on RICO charges and was understandably anxious to avoid that fate. Yet by pleading guilty to felonies, Drexel opened itself to large contingent legal liabilities which made it impossible either to raise fresh capital or find a buyer for the firm.

At the other extreme is the British Government's response to the House of Fraser case. Here the Egyptian-born Fayed brothers have been allowed to retain control of a large stores chain despite having made the £615m acquisition after providing false information about their background and financial resources to government, shareholders and public. Mr Nicholas Ridley, Trade Secretary, declared that there was no public interest in disqualifying the Fayeds as directors, a decision that caused an outcry in parliament.

Scandal aberration

When looked at in a wider context, the response to the House of Fraser scandal appears to be an aberration. The readiness of the authorities to pursue directors of Guinness over the Distillers takeover and to bring charges over the Blue Arrow rights issue suggests that Britain is moving further along the path mapped out by the US.

Among the less attractive features of that approach is the politicisation of securities offences: an anonymous Government Minister was widely quoted, when the takeover boom was causing unease before the last election, as saying that the sooner some leading City practitioner was dragged off in handcuffs the better for the Tory party.

White collar

It does no harm for the British Government to indicate that it is anxious to take white collar crime more seriously. Yet there are more just methods of deterrence than sending policemen to make arrests on *the trading floor only to drop* the charges some months later, as happened at Kidder Peabody in New York.

That said, however, the more general toughness of the US system is almost certainly a virtue against the present market background. For the globalisation and deregulation of financial markets has destroyed the ethos in which unaided self-regulation could provide an adequate basis on which to police markets. And in a climate marked by greed, the increasing pressure on profitability in London and Wall Street makes it all too tempting for firms and individuals to take short cuts.

The SEC's action against Drexel may indeed have been *draconian. But after the* excesses of the takeover boom it was amply justified *pour encourager les autres.*

In Britain, the new sanctions incorporated in the Financial Services Act and the Companies Act 1989 may well ensure a more consistent regulatory response to financial scandals in future.

What they cannot do is to procure consistent and sane judgments from the courts. The intractability of the subject matter makes trial by jury hazardous in the financial area. But that problem is common to all countries that take white collar crime seriously. It is not clear that alternatives to the jury system, such as expert assessors who do business in the same world as the accused, would provide a better outcome.

Alice Rawsthorn reports on Saatchi's programme for reinvigorating its business

The soap's next episode

AT noon today in a room at *the Marriott Hotel in London's* Mayfair Mr Maurice Saatchi, the chairman of Saatchi & Saatchi, will deliver his speech to what promises to be the stormiest annual general meeting in his career.

A year ago Mr Saatchi made a speech to another agm a few streets away in the more salubrious setting of Claridges. His speech marked a *watershed in the fortunes of the* company, the communications and consultancy group that he founded with his brother, Charles, 20 years ago.

The shareholders had arrived expecting to hear the customary Saatchi story of success in the international communications industry. Instead they were told Saatchi faced a fall in profits because of the decline of the US advertising market and the problems of its recently acquired management consultancies.

Since then Saatchi's fortunes have gone from bad to worse. In the year since its last agm Saatchi has announced an attributable loss and has been bandied about as a takeover target. Its shares have halved in value. It has even had to quash rumours of liquidity crises.

More than 750 employees have left including five members of the main board. Last autumn Mr Maurice Saatchi relinquished his role as chief executive to Mr Robert Louis-Dreyfus, the French industrialist who has been appointed in a last attempt to save the company.

The shareholders at today's meeting will want to hear exactly how Mr Louis-Dreyfus proposes to save Saatchi. They expect to be told how he plans to reduce the group's debts; if he has sold its management consultancies; and whether he will be able to hold on to all the communications companies. They will also want to know what role the Saatchi brothers will play in the future of the group.

So far the Saatchi story reads like the script from a soap opera. The stars are the brothers. There is Charles, with his spending sprees in the Manhattan art galleries and Maurice, who charmed the City into financing his own spending spree in the international advertising industry.

The cast list includes everyone from Mr Martin Sorrell, who left Saatchi for WPP, which has just ousted his old employer as the world's biggest marketing company; to Mr Silvio Berlusconi, the Italian media magnate who began his career crooning Frank Sinatra songs in seaside resorts *and now owns a stake in Saatchi; and* even Mrs Margaret Thatcher whose Conservative Party was once the most famous client of Saatchi's London agency.

In the early episodes the brothers transformed their tiny London advertising agency into one of the world's most powerful communications companies thanks to the support of the stock market. As the soap continues, they lose the market's confidence by staging too many deals, issuing too many shares and finally falling prey to the *folie de grandeur* of toying with the idea of buying Midland, one of Britain's biggest banks.

In the latest episode the company is crippled by the debts amassed to finance the deals. Enter Mr Louis-Dreyfus who – as a member of one of Europe's wealthiest families and an occasional escort of Kim Basinger, the *movie star – seems perfectly cast.* He has also had a startling successful career at IMS, the market research company owned by Dun & Bradstreet.

The challenge facing him is formidable. Saatchi's pre-tax profits fell from £116m to £61m in the year to September 30, when the cost of restructuring pushed it into an attributable loss of £58m.

This year the group is expected to make operating profits of £85m. But pre-tax profits will tumble to £45m because of the £40m interest payment on debts of £250m. Earnings per share will be a paltry 0.3p after deducting £18.2m in convertible preference dividends, £3m in minorities and paying tax at 52 per cent.

There is also the "time-bomb" of a convertible preference issue which could cost Saatchi as much as £211m – roughly the same as its current market capitalisation – when it *becomes redeemable in July 1993.*

The first priority for Mr Louis-Dreyfus is to sell the consultancies. Saatchi hoped to raise £350m when it put them up for sale last summer. But it made the mistake of saying how poorly the consultancies were performing. This not only deterred potential purchasers, but infuriated the management who believed they were unfairly blamed for the problems of Saatchi's communications companies.

Moreover, many of the managers are keen to buy their businesses back, preferably at bargain prices. "After a few years of Saatchi, the last thing we want is to be bundled off to another owner," said one of the US consultants.

Last November Saatchi came close to selling Gartner, its US computer consultancy, to Cap Gemini Sogeti, a French computer services company, for $100m (£60m). CGS was unwilling to proceed without the agreement of Gartner's management. In the following month Mr Gideon Gartner, who heads the consultancy, was interviewed by Business Week under the headline "Gideon Gartner wants to buy his baby back."

Given that the consultants hoped to buy back their businesses, it was in their interest to perform poorly thereby depressing the price. The consultancies are expected to make operating profits of £8m this year. One analyst estimated that they might have made as much as £30m.

The Louis-Dreyfus solution is to sell the all consultancies to their managements, with Saatchi retaining a stake in some to facilitate the sale. Even if the managers can not raise the money immediately, they should at least have an incentive to improve their performance.

*Saatchi expects to sell the consul*tancies for around £100m. This is considerably less than the £350m it had hoped to raise and even than the £300m – including £133m in deferred payments – it paid for them. But the group should at least raise some capital to reduce borrowings and will then be free to concentrate on communications.

Mr Louis-Dreyfus hopes to hold on to all the communications companies: which include the Rowland public relations network and the Siegel & Gale design consultancy, as well as the Saatchi and Backer Spielvogel Bates advertising networks.

Saatchi has already rejected two offers from Mr Carl Spielvogel, president of BSB, to acquire that network. Mr Louis-Dreyfus is said to have told him to "stop spitting in the corporate soup." However McAffrey & McCall, *one of the smaller US agencies, is up* for sale.

Last year the communications companies performed poorly: partly because of the slowdown in the US and UK advertising markets, but also because costs had spiralled out of control. One problem was that its central controls over costs were far too weak. Another was that, after years of success, its agencies had become increasingly extravagant.

There is one – possibly apocryphal – story of a creative director from Saatchi's London agency ordering caviar for the whole crew on a commercial shoot. When the caviar arrived, accompanied by a bill for £75,000, he sent it back because the shop had sent the wrong type.

The cost problem has been resolved. The London agency alone lost 50 people in 1989 and has announced around 50 redundancies so far this year. The *communications companies are expec*ted to make operating profits of £77m this year.

So far there is no sign of the companies being affected by the group's problems. Saatchi's flagship London agency won more new business than any other UK agency last year, according to Campaign. Saatchi also seems to have resolved its problems in New York. BSB, despite the loss of its $70m Prudential account in the US, has also emerged unscathed.

The chief cause for concern is the UK advertising market, which has been hit by the slowdown in consumer spending and pressure on corporate profits. Saatchi has budgeted for no growth in the UK this year, despite its £60m of new business, because its existing clients have cut budgets.

But the crux of Saatchi's problems is *its capital structure.* "Under the present structure they will take one step forward only to take two steps back," said Mr Greg Ostroff, advertising analyst at Goldman Sachs in New York.

Saatchi has to bring down its borrowings by improving its financial systems if it is to avoid selling off one – or more – of the communications companies. There is lots of scope for improvement. Saatchi was famous for its strict financial controls in the days when Mr Martin Sorrell was finance director. Its systems have slipped ever since he left. Most analysts suspect that with better tax planning, credit control and debt management Saatchi can make significant savings.

There is also scope for further cost cutting. The group is still burdened by hefty central costs. Its headquarters is in one of London's most opulent buildings where the the walls are crammed with oil paintings by Howard Hodgkin and Victor Willing from Mr Charles Saatchi's art collection.

The salary bill for the main board alone is more than £3m a year, including £625,000 each for the brothers. Then there are the extras like two cars for the Saatchis and even the electricity bill for the Mayfair flat the group provides for Mr Louis-Dreyfus.

If Saatchi can cut costs Mr Neil Blackley, advertising analyst at James Capel, believes it could achieve neutral cashflow – on *pre-tax profits* of £52m and earnings per share of 4.7p in the 1990/1991 financial year – and become cashflow positive thereafter.

The share price would then rise and the "time bomb" of the convertible shares would then become less threatening. Saatchi also has the option of buying back the shares in the market or of asking for shareholder approval to postpone the redemption date at a higher price.

If the worst comes to the worst – if debt is still high and the communications companies flounder – Saatchi would have to sell off subsidiaries. A number of marketing services companies – including Interpublic of the US and Eurocom of France – have expressed interest in parts of the group. Alternatively Saatchi might bring in one of the Japanese advertising agencies, *such as Dentsu or Hakuhodo,* as a minority shareholder.

Saatchi also has to strengthen its central management. This process is likely to begin with the appointment of non-executive directors at today's agm. Mr Louis-Dreyfus is then expected to appoint new executive directors to the board.

His arrival has raised inevitable speculation about the future role of the brothers. Last week GRC Financial, one of the group's financial public relations companies, conducted a survey of analysts' attitudes to Saatchi. One of the first questions was: "What do you think of the composition of the board?". The stock market has been bubbling with rumours of everything from an institutional lobby for the Saatchis to take a pay cut, to power struggle between the brothers and their new chief executive.

The terms of Mr Louis-Dreyfus' contract suggest that he has *carte blanche* to run the company. There is even a clause enabling him to leave – with a month's notice and a lump sum of £1m – if his powers are reduced. Saatchi announced his appointment on October 12 but he did not sign his contract until December 5. He is said to have delayed doing so until he had ensured he would be joining on his own terms.

Mr Louis-Dreyfus and Mr Scott are now the public face of Saatchi. They deal with the institutions and the analysts. Two weeks ago they summoned the heads of the communications companies to a special meeting in London. Neither of the brothers attended.

The Saatchis have not played an active role in the company for some time. "I have not met them. I have never even seen them. Sometimes I think they are a figment of my imagination," said the head of one of Saatchi's European agencies.

Yet Mr Louis-Dreyfus and Mr Scott insist there is no question of the Saatchis leaving. "We see the Saatchis as a major asset," said Mr Scott. "The last thing this company needs is the drama of big names disappearing. Saatchi has had quite enough drama already. What we need now is stability."

The price of old shares

■ *Scripophily is now available* in the shops, or at least one shop. Keith Hollender, a former banker, has opened The Scripophily Shop in the arcade of the Britannia Hotel in London's Grosvenor Square.

Although the word does not appear in my dictionary, it means more or less what it suggests. Hollender says that it arose out a newspaper competition in the late 1970s and covers the collecting of old bonds and share certificates.

This is a bit of a cyclical business, which has never quite taken off. Hitherto, dealers have tended to work from offices, though on the continent there are a few shops that deal in old shares and bonds along with old coins. Opening a *shop specialising in certifi*cates is a new venture.

The point of attraction is that some of the old bonds and shares were remarkably decorative. There is Tramways of Taschkent for example, a Belgian company formed to construct the Taschkent tramway, which issued shares in 1914. These certificates are going for £20.

Debenture bonds *for the City* of Moscow Gas Co, dated 1866, are being offered at £35, and the 1927 7 per cent issue by the Republic of Estonia, repaid in 1969, at £60. Closer to home there is the East London Water Works, whose shares, dated 1808, were printed on vellum and are now on sale for £285. The company had an unfortunate history: its pipes were invaded by eels.

Towards the top of the market there is an original share of The American Express Company, signed by two of its founders: Henry Wells and William Fargo. The price is £650.

Hollender says that he has a good site that will attract foreigners. He also argues that the introduction of Taurus by the International Stock Exchange, which will eliminate the traditional share certifi*cate, will ensure that the mar*ket for the old stuff goes on climbing.

OBSERVER

Off sweets

■ News item: "Stephen Ward, Cadbury's business development director, said at a briefing that the company was concerned about the possible impact of the greenhouse effect on the growth in chocolate consumption."

Second hand

■ Perhaps one should occasionally read the glossy magazines that come through the letterbox. Expression, the magazine *for American Express Card*members, has an interview with Roland Smith, the chairman of British Aerospace. It begins: "'Get your tanks off my lawn', is a phrase that will be forever associated with Professor Roland Smith. It was addressed to to Roland 'Tiny' Rowland at the height of their battle for the control of House of Fraser."

Some people will associate the phrase more with Prime Minister Harold Wilson talking to the trade union leader, Hugh Scanlon, several years before. And I think Wilson said it slightly more politely. It was: "Take your tanks off my lawn."

Not Bushmen

■ US Congressman Richard Gephardt shares an unusual distinction with the High Tory columnist, George Will, and Archbishop Desmond Tutu. They all, according to Washington gossip, get under the skin of President George Bush.

Like the others, Gephardt can be irritating. Two years ago, he ran unsuccessfully for the Democratic presidential nomination on a populist/pro-

"The mind boggles at Mrs Thatcher saying 'We are a back-bencher'".

tectionist platform. Last year, President Bush breached his normal bipartisan blandness with Congress by saying that he was annoyed with Gephardt over a vote on capital gains tax. He was unaware that his criticisms in a phone call to a Republican Congressman in a Capitol Hill press room were being heard by journalists.

Gephardt's latest offence is to attack Bush for following a foreign policy that is "adrift, without vision, without imagination, and without a guiding light save opinion polls". He says that the President has failed to offer leadership over the changes in Eastern Europe and the Soviet Union. This has provoked a furious reaction from Republicans.

The point to note is that Gephardt has been the first to challenge Bush in such an outspoken way. He also wants retaliation against Japan over the trade imbalance and is protesting about what he sees as the unfairness of the present tax system.

Thus the inevitable Washington question is whether Gephardt is preparing a second run for the Presidency. When he became House Majority leader last summer, he promised not to campaign for the White House in 1992 – a pledge he repeated over the weekend. Nevertheless, he has become the Republicans' favourite target.

Top Sevens

■ At least something is still booming in Hong Kong. Tickets for the colony's annual rugby sevens tournament at the end of this month have sold out, at HK$200 apiece, weeks earlier than usual.

There is great debate about whether this is because the local rugby union (aided by George Simpkin, its New Zealand-born coach who took Fiji to World Cup fame in 1987) has been sufficiently successful *with a rugby promotion cam*paign to fill the stands with Hong Kong Chinese spectators instead of just bloated gweilos, as foreign devils are known.

Alternatively, it could be that the sevens (promoted by Cathay Pacific Airways and the Hongkong Bank) are becoming a major international rugby event, as opposed to a regional party with a few drinks thrown in.

This year, for the first time, there will not only be a side from the USSR – the Soviet Bears, currently in Australia – but also national teams from Wales (the first ever official country side from the UK) and West Germany.

The UK's Barbarians are also fielding a strong side which might challenge New Zealand and Australia, the traditional finalists, and bring Britain some rare credit in its last major colony.

It may not be quite like Murrayfield on Saturday, but it should be worth watching.

Any offers?

■ Up for sale among previously unused car number plates today are 1 PM and MAG 1E.

LETTERS

Stricter conditions needed for Third World aid

From Sir Colin Campbell.

Sir, May I extend the debate on Third World aid, in the light of my personal experiences, following Mr Karl Ziegler's excellent comments (Letters, March 6). He is absolutely right that much more, and not less, conditionality is required in providing assistance.

Member countries of the Organisation for Economic Co-operation and Development (OECD), which effectively finance most aid, should require the promotion and maintenance of freedom of the individual and the press. There is, at best, only very restricted personal liberty and freedom of speech in a large number of countries, not least in Africa where too often one-party systems stifle democracy.

The second requirement is that the many regulations in vogue in these countries which in practice serve primarily to provide opportunities for politicians and senior civil servants to exercise patronage should be dismantled.

The best assistance for developing countries is equity investment. For this to be able to function to these countries' advantage they need to adopt a one-world philosophy where the ability of individuals in all countries to move around the world is progressively encouraged.

There should be a strong presumption against the desirability, among other things, of exchange controls or, if exchange controls appear to governments to be an absolute requirement, then they should instead recognise a financial market in blocked currency not, as is too often the case, that political favourites can obtain foreign exchange while Mr Average Man cannot.

Private investment combined with the dismantling of the plethora of parastatal organisations, whose operations have too often been marked by the combination of incompetence and corruption, will serve the Third World well as the countries which have taken that road are already finding.

There needs also to be a proscription against the spending of unreasonable sums on military hardware. If Costa Rica can survive without an army then so can many other countries.

It is high time the OECD countries, the World Bank and the International Monetary Fund were much more strident about these issues, with aid being contingent on Third World governments behaving responsibly.

A further point for the OECD aid-giving countries to ponder is the fact that they have been wholly hypocritical about assisting the developing world to maintain workable prices for a large range of their exportable commodities. Virtually every OECD country protects some areas of its own agriculture by paying its farmers higher prices than those at which the commodities concerned can be obtained from world markets.

Sauce for the goose should be sauce for the gander and there should be a major move to induce the World Bank to act as an honest broker to set up workable commodity agreements in a much wider range of commodities than at present. The main problem with commodity agreements is to split the quotas. The World Bank would be uniquely able to do this fairly.

Sir Colin Campbell,
Kilbryde Castle,
Dunblane, Perthshire

Jobs: the role of manufacturing

From Mr John Wells.

Sir, Mr W.R. Haines's argument (Letters, March 7) that the higher ratio of capital (both fixed and working) to output in manufacturing, compared with services, makes manufacturing more vulnerable to interest rate fluctuations is interesting and probably correct. It is also true that manufacturing plays a central role in UK trade – accounting, in 1989, for 81.3 per cent of visible exports (60.9 per cent of visible plus non-interest invisible credits), while manufacturing accounts for by far the largest proportion of output in the internationally exposed or traded sector of the economy.

However, Mr Haines is quite wrong to suppose that services are more labour-intensive than manufacturing. The reverse is, in fact, most definitely, the case. This can be shown by examining the contributions of the two sectors to income and employment generation in the economy, respectively.

Thus, in 1988 (the latest year for which data are available), manufacturing accounted for 23.7 per cent of total gross domestic product, but its share in total civilian employment was just 21.3 per cent. The services, by contrast, were responsible for 63 per cent of total GDP but accounted for 67.4 per cent of total employment.

Moreover, manufacturing's comparatively low capacity for employment creation per unit increase in output (and, its inverse, the sector's relatively rapid rate of labour productivity growth) has been one of the principal factors responsible for the now well-established trends in the evolution of the employment structure: the decline in manufacturing employment, both absolute and relative, and the increase in service employment, both absolute and relative (these trends characterising an unsuccessful economy, such as the UK, as well as successful countries, such as Japan and West Germany).

The other factors responsible for manufacturing employment decline in the UK were sluggish output growth and declining net exports – though, incidentally, not changes in the pattern of domestic spending, since demand for manufactures in the UK appears to be at least as income-elastic as that for services.

A successful manufacturing sector, meaning one characterised by rapid output growth and a buoyant world market share, does, never the less, have an absolutely vital contribution to make to employment creation. That contribution does not, however, lie in manufacturing's capacity to generate employment directly within the sector itself. Rather, manufacturing's role in employment terms is largely indirect – creating the material foundations upon which a rapid expansion of employment in the non-manufacturing sector of the economy can be sustained.

In particular, given that domestic demand for manufactures is so income-elastic, manufacturing's role must be to generate a sufficiently rapid growth of output as to satisfy the growth of domestic spending on manufactures – either directly or *via* exports to pay for the imported manufactures that people require – as well as to be able to offset changes in the non-manufacturing trade balance. In both these ways, manufacturing has the task of securing dynamic external balance.

However, in the future, as in the past, it is to the services that we must look to take the lion's share of responsibility for employment creation.

John Wells,
Faculty of Economics and Politics,
University of Cambridge

Better government management

From Mr Richard Luce MP.

Sir, Vernon Bogdanor's article ("The problem of making Whitehall accountable," March 8) is based on some fundamental misconceptions.

Next Steps does not change any constitutional arrangements. The fundamental principle of the accountability of ministers to parliament remains unchanged. Within departments, the system of accountability is strengthened by the further delegation of authority to agency managers. The responsible minister determines and publishes a framework document for each agency. It is within this framework that he or she delegates the management of day-to-day operations to the chief executive.

One of the prime objectives is to make government services more responsive and to improve their quality. The more open Next Steps approach helps the individual with a complaint get directly to the person who is immediately responsible and who can put things right quickly: in the first instance this will be the agency chief executive.

The right of individuals to make representations to their MP and through the MP to the minister is quite unaffected. As before the MP will be able to ask the Parliamentary Commissioner (the Ombudsman) to take up complaints of maladministration.

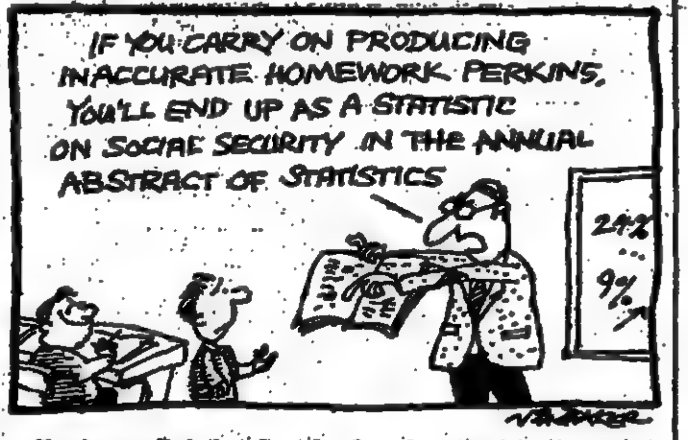
Next Steps is about better management in Government, within proper parliamentary accountability. The first executive agencies are starting to achieve this; more will follow.

Richard Luce,
Minister for the Civil Service,
Horse Guards Road, SW1

Rising educational standards

From Mr James Murphy.

Sir, In her rush to rubbish any other view of teachers to that gratuitously espoused by the Institute of Directors, the head of its policy unit, Ms Robinson (Letters, March 8) takes strong exception to the Education Department's statistic that only 11 per cent of pupils now leave school with no public examinations compared with four times that figure in 1970.



She is appalled that I, and presumably the department, should have drawn such an invalid comparison, insisting that only GCSEs at grade C and above be compared with O levels. She fails however to say whether on this measure, standards have increased or declined, electing instead to refer the reader to a set of statistics on social security claimants in the Annual Abstract of Statistics.

Educational statistics on the other hand reveal that standards have, in fact, increased steadily over the last two decades. The details are these: In 1987-88, 24 per cent of boys secured 1-4 GCSE/O level grades A-C compared with 17 per cent in 1970-71. For girls the increase was even greater, with 28 per cent now achieving at that level compared with 18 per cent in 1970-71.

Likewise for children gaining five or more passes at this level; the increase for boys was from 7 per cent to 10 per cent, whilst the increase for girls was from 9 per cent to 14 per cent.

Clearly not the best evidence, assuming evidence matters, to justify UK directors berating UK educators. Perhaps next time, before Ms Robinson and the IoD "sound off" about standards of research and scholarship, they might first check their sources.

James Murphy,
Department of Educational Research,
University of Lancaster

Wrong to blame Sir Geoffrey

From Mr Phillip Oppenheim MP.

Sir, John Wells is directing his indignation at the wrong target in suggesting that Sir Geoffrey Howe was responsible for the huge fall in manufacturing output between 1979 and 1981 (Letters, March 2)

Firstly, much of the manufacturing which was lost was uncompetitive, unsustainable capacity, much of which had been created or maintained by massive and ill-directed state subsidies in the 1960s and 1970s.

Second, to a significant extent the rise in the exchange rate over that period was related to the world's perception of the pound as an oil currency – something well outside Sir Geoffrey's control.

Thirdly, Mr Wells conveniently forgets that most of the world was then also moving into recession, while the rise in headline unemployment totals was exaggerated by the steep rise in the overall size of the workforce.

Finally, Mr Wells's interventionist prescription that Sir Geoffrey should have used North Sea oil to "modernise and reinvigorate the economy" gives a clue to where much of the blame for manufacturing performance in the early 1980s should lie. For during the 1970s when Labour politicians and civil servants were "picking winners" and pumping billions of pounds into one industry after another, manufacturing output actually fell and much of what was left by 1979 was flabby and inefficient.

By contrast, since 1981, not only has the expansion of British manufacturing made up for the 1979-81 losses, but it has also more than made up for the reductions in output under the last government and now stands at its highest-ever level. All of which goes to show that intentionally simplistic assertions that the Government does not care about manufacturing are, and always have been, self-serving nonsense.

Phillip Oppenheim,
House of Commons,
Westminster, SW1

IT: a plea for partnership

From Mr G.S. Shingles

Sir, The Business Column ("The costly business of government computing," February 19) highlights the benefits which could result from an early partnership between central government and its information technology suppliers.

More efficient, higher quality, better value-for-money IT solutions would result for government users if the procurement process could be simplified. The UK IT industry has consistently given out this message. Is anyone listening?

G.S. Shingles,
Managing Director,
Digital Equipment,
Shire Park,
Reading, Berkshire

An 'unjustified attempt to stretch the Government's mandate'

From Mr W.J.A. Nicolle.

Sir, The British Bankers' Association Tax Committee raises issues (Letters, March 6) of constitutional importance as well as commercial concern.

The Criminal Justice (International Co-operation) Bill now being rushed through the Commons seeks to extend the rights of foreign governments to pursue in the UK evidence in respect of alleged criminal offences committed in their own countries. In the process constitutional protections are likely to be eroded with unforeseeable personal and commercial consequences.

The courts are to have no opportunity to question the absolute discretion of the Secretary of State in complying with a request for evidence from a foreign government. That discretion is therefore likely to be exercised without safeguards or guidelines.

The legislation is intended to improve collaboration with other countries in the prosecution of criminal offences and to enable Britain to ratify the United Nations convention against illicit traffic in drugs. No reasonable citizen would do other than applaud these aims but the Government is attempting to stretch its legitimate mandate in a manner and to an extent which is wholly unjustified.

In a recent letter a Home Office minister openly acknowledges the possibility that the UK may be asked to assist other countries in investigations or proceedings which are not contrary to our criminal law. Fiscal matters are not the only areas in which this might arise. He states that "where libel was a criminal offence in the country concerned, we might well wish to provide the assistance sought."

It is not difficult to think of totalitarian countries where charges of libelling the state or its leader might readily be brought. Is this the kind of "crime" for which international co-operation needs to be provided by the UK? We have a right to be told – and assured to the contrary.

The speed with which the Bill is being handled is remarkable. Started in the Lords, it was brought to the Commons only on February 15 and already has received its second reading and committee stage. No reason has been adduced for this haste.

Further, the legislation is to enable the UK to sign the Mutual Assistance Convention of 1957 and an additional protocol which has been open for signature since 1978. It is this protocol that would make fiscal offences "criminal" for the purposes of international exchange of information.

Accession to the protocol implies that the UK Government without check by the courts will be inviting any government which alleges fiscal offences by its own citizens (offences which need not be against UK law) to seek confidential tax or banking information even in circumstances where the UK authorities would lack the power to obtain it. The effects on confidence in the secrecy of personal and commercial information within the UK cannot be overstated.

Our association believes that such powers should not be granted to the executive without proper legal safeguards to avoid serious harm being done to constitutional rights as well as preserving commercial confidence, especially in the City of London.

W.J.A. Nicolle,
Chairman,
Bar Association Tax Committee,
Expro House,
21 Dartmouth Street, SW1

FOREIGN AFFAIRS

The road to be trodden to Kosovo

Jurek Martin on how a trial of dissidents reflects Yugoslavia's nationalist problems as a whole

It is a long way, in more ways than one, from an exquisite villa in Fiesole in the hills over Florence to a long brown and white courtroom in the dusty, polluted town of *Titova Mitrovica* in Kosovo. But it is a distance which is going to have to be covered by a lot of people and a lot of governments as Europe takes its new shape.

In the former place, home of the European Universities Institute, it was Peter Wiles of the London School of Economics who eventually put the motion to a gathering of academics and journalists from eastern and western Europe. It was not exactly as he drafted it – a reference to the Spanish precedent fell through – but it summed up the tenor of the meeting well enough. It read, with the author's italics:

"We consider that some special form of 'associated' status with the European Community should be offered to each newly liberated country in eastern Europe *immediately* after it attains a sufficient degree of democratic stability. This should be without reference to its prosperity or to the predominance of a particular ownership form, since our aim is to use the prestige of association to confirm a *political* order similar to that of the EC member countries."

Yugoslavia, which cannot be lumped in with other nations emerging from the communist yoke, is not pressing for associated status now. Ante Markovic, the prime minister, was chewing the fat in Brussels last week and two days earlier, in Belgrade, he had been quite frank in a talk to visiting journalists. European integration, he said, was "a fact," and Yugoslavia's *destiny* lay with Europe. But it could take "some years" to join the EC, not only for technical reasons but because *his country had to* meet the "political" requirements of membership.

He defined these, in general *terms, as the establishment of* political pluralism. This process is indeed under way in Yugoslavia, home now to as *many political movements and* neo-parties as any nation in eastern Europe and where the League of Communists is in probable terminal decline. But, as with Markovic's free market economic reforms, from which the political process is not separable, reaching nirvana will not be easy. In a country with as many inherent divisions as Yugoslavia, nothing is.

This is where the courtroom in Titova Mitrovica comes in. Last Friday saw the 46th day, and the 29th witness, in the trial of Azem Vlasi and 15 other defendants on charges of inciting the ethnic Albanian majority in Kosovo to insurrection, not against the state of Yugoslavia but against the ruling Serbian minority. This is not the place to go into the rights and wrongs of Serbian-Albanian rivalry, on which much can be said on both sides, nor to raise the spectre of Islam, which some Serbs claim to detect. But the Vlasi trial is symbolic of Yugoslavia's problems in getting its house ready for full participation in Europe.

Vlasi, it must be said, does not conform to the classic pattern of a freedom-loving dissident. An Albanian, he used to be Communist Party chief in Kosovo, a young protégé of Tito and once an intimate of Slobodan Milosevic, *the current* Serbian leader. Before Serbia, in effect, annexed Kosovo a year ago, he might have been one of the most unpopular men among *Albanians in the nominally* autonomous region. There was a falling out with Milosevic, Vlasi lost his party job, experienced a political sea change and later was arrested and charged after a local miners' strike.

Bajram Taci was the 29th prosecution witness. Like any number before him, he recanted, saying his sworn statement had been extracted under duress. The six man tribunal, all Albanians, made no attempt to silence him. The chief judge patiently, and accurately, paraphrased his words for the benefit of the court typist. A battery of defence lawyers, led by the flamboyant bull-necked Bajram Kelmendi, prepared to make the most of the opportunity. They feel the prosecution case is already riddled with holes. They think the chief judge is fair but they wonder if he is free. They also expect the trial to drag on for months. A guilty verdict could carry the death penalty.

The problem that Ante Markovic has with Yugoslavia's most famous political trial is that it is not his to stop

Markovic's problem with Yugoslavia's most famous *political trial is that he cannot* stop it. It lies within the jurisdiction of Serbia, not the federal Government. Nor can he *stop Serbia boycotting goods* from Slovenia, which it currently is, nor Slovenia from positioning itself to declare independence, which its parliament did last week. The house that Tito built, designed to contain Serbian nationalism but hobbling federal authority, has been *rickety ever since its* architect died.

The battle is now joined for a new construction, and, whichever way it is looked at, the current principal protagonists are Markovic and Milosevic. Last summer, after he had addressed 750,000 Serbs on the battlefield of Kosovo, the cradle of Serbian culture where, 600 years earlier, the Turks had triumphed, Milosevic was in the undisputed ascendancy. It is closer now.

I asked Markovic if he thought Milosevic had "gone too far" in reviving Serbian nationalism. "Why don't you ask him?" was the only, abrupt reply. Actually the prime minister does not need to talk to Milosevic at present. By proclaiming political pluralism and by having the only national economic reform plan in town, he must feel he is strengthening his own hand. *Circumstantial evidence* suggests he is probably right. Even in dirt-poor Kosovo, Markovic gets grudging respect from radical *Albanian leaders* like Veton Surroi and Shkelzen Maliqi, with whom he shares little politically, beyond a common belief in a pan-Yugoslav approach, and even less economically.

But if economic reform is Yugoslavia's best hope it may also be Markovic's Achilles heel. Nasty medicine was obviously necessary to combat hyper-inflation. On January 1, the Yugoslav currency, the dinar, was made fully convertible, pegged at seven to the D-Mark; the central bank stopped printing money at will; a partial wage and price freeze has been in effect. The resulting numbers look good. Inflation has dropped from 64 per cent last December alone to probably zero this month and possibly minus next. Yugoslavia's debt problem has been reduced, partly by a $2bn plus foreign exchange inflow this year. A new standby loan from the IMF has already been approved in principle.

However, the pips are *already squeaking. Unemployment*, officially 11.6 per cent in December, could easily double; enterprises, big and small, no *longer protected* by a sure supply of unlimited credit and facing an overvalued dinar, may go bankrupt in droves. The *commitment of Markovic's* Government to reform may not be doubted, but its resolution in the face of real adversity has *yet to be tested*. Milosevic may not have an alternative national plan but if public discontent with the brave new world of market economics rises he may not need one; and this in turn would provoke a hostile reaction from the other republics who so fear a Serbia rampant.

Veton Surroi, a journalist and socialist who may or may *not form* his own political party, is capable of taking a philosophical view. Markovic, he says, "is doing the job Suarez *did for Spain,*" in other words establishing the democratic condition necessary for full integration into Europe. But, to use Peter Wiles's criteria, the stability and the political order remain fragile. If Azem Vlasi is found guilty and Kosovo goes up in flames, both will be tested even further.

FINANCIAL TIMES
Tuesday March 13 1990

Wage offensive highlights new divisions

Japan's cosy industrial relationship is under threat reports **Robert Thomson**

SMILING representatives of Japan's railway unions performed the annual ritual of presenting management with their spring wage demand - this year, a 9.6 per cent increase - in front of television cameras for the benefit of a national audience.

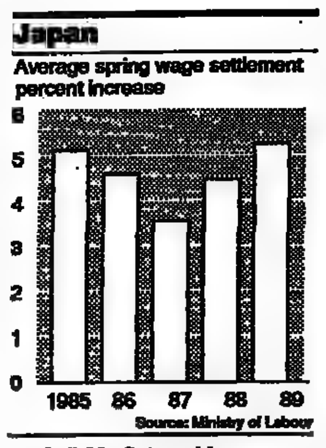
Both sides then sat down to do polite battle in the first round of the "spring offensive," the negotiations between union and management in the largest industries which set standards for wages throughout the country.

To the outsider the negotiators seem to be going through the motions. They are already aware of the figure on which they will agree. By the end of the month, the railway unions, after appropriate dissent, will accept an increase of some 6 per cent and know that, on April 4 or 5, they will make an announcement coinciding with similar agreements in the steel, machine tool and power industries.

But the cosy relationship between unions and management in Japan is beginning to come under threat from a land and stock price spiral that has created greater inequality among a workforce which had, until recently, thought of itself as travelling in the same lower-middle class boat.

Mr Koichi Sato, labour policy manager at the Japan Trade Union Confederation (JTUC), which has 7.8m members, says the increasing diversity of wage and perk packages offered to different types of workers is making an impact on relations between union and management.

"We may have similar goals in some areas but we have very different views on how and when to achieve these goals," Mr Sato said.



Professor Haruo Shimada, of Keio University's economics department, argues that the land price surge has undermined the image of a fair return for labour, and some workers think that "simple labour for ordinary remuneration is purposeless." He suggests that the "Japanese image of being middle class is also being eroded by the emergence of a new very rich class."

At the same time, Nikkeiren, the employers' federation, is in favour of cutting the annual spring rise, increasing the flexibility of different industries, and putting more emphasis on mid and end-year bonuses to reflect the performance of an industry during the year.

Last December, workers received an end-year bonus of around 8 per cent, and the JTUC complains that clerical workers received more than factory workers, and that factory workers in large companies did better than those working for small companies in unfashionable industries.

Mr Sato does not like this inequality: "Management would rather pay these bonuses than give all workers a pay rise. Our top priority is high and stable wages. The bonus system penalises workers in smaller industries and companies, who get much lower bonuses. The differences are growing."

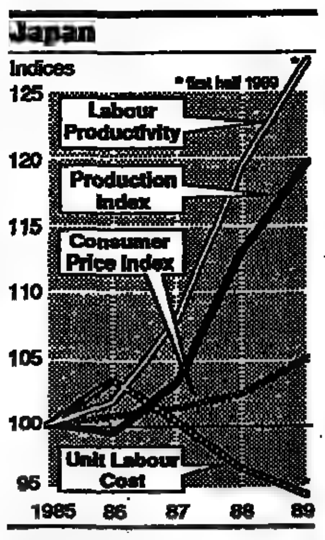
A sign of the challenges to come is a dispute among the labour branches of Toshiba, the computer and consumer goods maker. The big city branches are demanding a larger increase in wages for their members because they have higher property rental costs than Toshiba workers in other areas.

"Any worker who doesn't have land now can't afford to buy it, and those who do have land have become wealthy. This gap will make people more militant. They do feel that there is gap and they are dissatisfied. This is something that can only be resolved by looking at the land tax system and other land laws," Mr Sato said.

Employers argue, along with the Bank of Japan, that the greatest danger facing Japan is inflation, and so wage rises must be kept to a minimum. Mr Takuji Yamahara, director of Nikkeiren's labour policy division, said consumer prices are likely to rise 2.5 per cent in the financial year to end March, and "this is not so stable."

Much of the increase is attributable to the introduction of a 3 per cent value-added tax last April, but Mr Yamahara says other factors, such as an increase in raw materials expenses and a labour shortage, have the potential to push inflation far higher.

"As you know, the unions have guidelines that they



should ask for 8 to 9 per cent. Last year, they asked for 6 per cent, and got, on average, 5.17 per cent. The reason for this rise was because the economy was doing very well," he said.

The implication is that the economy is not doing as well this year, although the Economic Planning Agency expects GNP growth of at least 4 per cent, down on the 5 per cent expected for this year, but strong by most standards.

While workers in larger companies received an average of 5.17 per cent last spring, those in companies of less than 300 employees were given 4.71 per cent. A Labour Ministry survey of 200 companies found that 50 gave part-time workers no increase last year, and the other 150 awarded an average rise of 6 per cent to part-timers, who comprise 12 per cent of the workforce.

Mr Yamahara said that, during bargaining, management and unions "argue if necessary and co-operate if it is necessary," and that relations, generally, have "become better in recent years." Mr Sato, at JTUC, said that "simple confrontation" is a thing of the past, and "we are now moving to an era in which we pursue common goals."

Those comments suggest a confluence of interests, but issues such as shorter working hours and differing demands from different company unions have introduced new strains which could be particularly testing at a time of more sluggish economic growth.

Nikkeiren is encouraging a trend toward flexibility in salaries and in the life-time employment system, which Mr Yamahara said imposes restrictions on corporate performance. He argues that companies are reluctant to cut working hours because an extra day's holiday is "equivalent to an 0.4 per cent wage increase," and "wage increases and hour cuts should be negotiated at the same time."

Trade unions want a cut in working hours from the present annual average of 2,100 to 1,800 by 1993, but Mr Sato said that most unions will "study how their company and industry is performing" before pushing for improvements. Labour shortages are helping the cause of workers in some labour-intensive industries.

The ratio of jobs to seekers is now 1.32:1, while secondary school leavers had a choice of 3.62 unskilled jobs at the end of last year, according to the Labour Ministry. One side-effect is that larger companies, including Matsushita Electric, Toyota Motor and Toshiba, are knocking down shared dormitories and building new accommodation for workers.

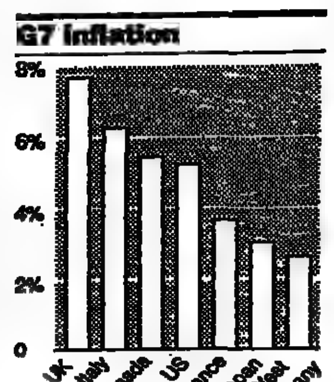
THE LEX COLUMN

Deep pockets and big spenders

The British consumer refuses to lie down. After more than eighteen months of a government-imposed squeeze on the economy, yesterday's 2.4 per cent jump in retail sales indicates that the strategy is flawed. Even if the February figure is dismissed as an aberration, sales in the December-to-February period are still 1.25 per cent up on the previous three months. And other indications, such as the strength of M0, consumer credit and the January import figures reinforce the impression of an economy that is alive and kicking.

Part of the problem may be the limited percentage of the population which has a significant mortgage, although the recent rise has yet to work its way through the system. Pay settlements are still buoyant – the January average was 8.7 per cent – and there are thus plenty of people whose standard of living has risen despite the interest rate rises. It follows that there is little incentive for the Chancellor to push up base rates to 16 per cent, especially as any boost to the pound would be undermined by the effect on the Tories' opinion poll ratings.

Inflation, already well above OECD levels, has further to climb, as yesterday's output price figures demonstrated. So Mr Major seems likelier than ever to play Scrooge in the first televised Budget next week, while emphasising to the cynical markets that fiscal rectitude will not be accompanied by monetary laxity. Santa Major will stay in the costume chest until next year.



Barings

Would the Baring Crisis of 1890 have been averted if the merchant banks had fully disclosed their profits a hundred years ago? Probably not. Yesterday's move by the City's oldest merchant bank to disclose fully its profits for the first time is a welcome gesture to the Brussels bureaucrats, but the casual reader of the group's 1989 report and accounts is left little the wiser.

In common with most London merchant banks, the group's hidden reserves are not as big as suspected; although this helps explain why the return on capital employed of 39 per cent is so impressive. However, the move towards greater disclosure is remarkably short-lived. Baring Securities, a business which is only five years old, is said to have *contributed over half* the group's 1989 profits of £65.9m.

But it is impossible to get any feel for the extent of the group's reliance on its phenomenally successful Japanese warrants business.

It is all very well to dismiss the profit breakdown of comparable US investment banks as relatively meaningless. But at least one can get some clue as to the increase in overheads, fee income and profits from capital transactions. As for the rest of the sector, Barings' figures suggest that the massive rerating of the last six months is probably justified. However, its reluctance to say more than it has to is likely to confirm the market's suspicion about the low quality of merchant bank earnings.

TDG

However resilient the British shopper may be, in the face of high interest rates, yesterday's 3 per cent drop in the share price of TDG, the road transport and storage company, was an apt reminder of the pressures at the medium-sized to smaller end of the corporate sector. On several scores, TDG's news of operating profits down 2 per cent in 1989, in spite of relatively strong volume gains, looks a bad omen. Not only did they contain painful evidence of a margin squeeze, but the spending cutbacks TDG is planning has implications for capital goods orders.

In the UK, instead of a normal three months of heavy pre-Christmas work, TDG only had three or four weeks of really intense activity; and since 1988, TDG's pricing has been under pressure, as customers have jibbed at rate increases. Nor was there much relief for TDG in its continental operations, in France and Holland, where price competition has been hotting up in the road distribution sector two years ahead of 1992.

TDG's belt-tightening measures, centering on its 4,000 strong vehicle fleet, look a bearish indicator, too. With that number of lorries, and a £43m depreciation charge in 1989 against pre-tax profits of *only £42m*, TDG has plenty of scope for saving money by slowing down vehicle replacement. This is precisely what it is doing now, and one has to assume that the industry's smaller fry are doing similarly.

Japanese yen

The strength of the US dollar and the weakness of the Japanese yen continues to be rather puzzling. It may just be that it is the indecision over Japan's interest rate policy which is undermining the currency. Clearly, there is a more than usual amount of tension between the Bank of Japan and the Ministry of Finance. The former is more worried about asset price inflation whilst the latter seems concerned about the political ramifications of the ugly cracks beginning to emerge in the equity and real estate markets.

If the expected rise in the official discount rate, of say 75 basis points, does not halt the yen's slide then the picture could turn rather ugly. However, it is hard to argue that the yen is overvalued on a trade competitive basis and its continuing decline is only going to exacerbate commercial frictions with the US.

OMV

The renewed vigour of the oil market was highlighted yesterday by the price that OMV, the Austrian oil group, paid for a slice of North Sea assets. OMV paid around half as much again as Enterprise paid for a stake in the same field, and the cost per barrel of proven reserves works out at a princely $5.50. However, the fact that Enterprise had exercised its pre-emption rights to prevent Repsol acquiring the stake, illustrates the difficulties for an outsider in getting hold of a quality asset like the Beryl field.

OMV is short of crude and had been searching for upstream interests for some time. It probably regards the heavy price as the inevitable cost of entry although it now needs to find more exploration acreage to get full benefit from the tax system. But the companies which will be most pleased with the deal are the British oil independents, since it may emphasise the value of *their assets to stock markets* as well as predators.

Japan viewed as world's most unfair trading nation

By William Dullforce in Geneva

BUSINESSMEN still regard Japan as the world's most unfair trading nation, despite the efforts the Japanese have *recently been making* to open their domestic market to imports.

More surprisingly, Americans will be shocked to learn that their colleagues rank the US, champion of free trade, as the third dirtiest trader after South Korea.

The rankings are taken from the 1990 Business Confidence Survey conducted by the International Institute for Management Development (IMD) in Lausanne and the Geneva-based World Economic Forum (WEF), among more than 1,800 senior company executives in 23 OECD (Organisation for Economic Co-operation and Development) countries, 10 newly developed countries and Hungary.

France, ranked fifth after Taiwan, was the only European country to fall into the "unfair trader" category. Brazil was placed sixth in this list. The country least impeached was Austria, followed closely by Denmark and Norway.

Disapproval of Japanese and US trading practices was more than matched by the businessmen's respect for those two countries' ability to turn innovations into competitive commercial products. Respondents rated Japan far ahead in this field with the US and West Germany second and third, followed by three "tigers" – the newly industrialised South Korea, Taiwan and Hong Kong.

Business leaders apparently fear that the US in particular is sitting on its laurels. In the "smugness" stakes – countries deemed to be relaxing their efforts to stay competitive – they placed the US first before Switzerland and West Germany. Britain was seen as the fourth most self-satisfied.

● *The business confidence survey forms part of the annual IMD and WEF World Competitiveness Report to be published in June.*

Japan hopes Gatt ruling ends EC 'discrimination', Page 7

OMV to buy N Sea assets for $260m

By Steven Butler in London

OMV, the Austrian state oil company, yesterday startled Britain's oil industry when it agreed to pay what was seen as an exceptionally high price for interests in two North Sea oil and gas fields.

OMV is to pay Mobil, the US oil company, at least $200m for a 5 per cent share in the Beryl field, and Conoco $60m for a 14.38 per cent interest in the Dunlin field.

The announcement of the deal caused the shares of Enterprise Oil, which has a 20 per cent stake in the Beryl field, to rise by 12p to close at 611p. In July 1988, Enterprise paid $276m for 10 per cent of the field, in a deal at the time that many regarded as expensive. Other UK independent oil company shares also rose yesterday.

Analysts estimated proven reserves purchased at 52m barrels. With an average cost at about $5.50 a barrel, it is one of the most expensive deals in recent history.

OMV's purchase is aimed at establishing itself as a significant player in the North Sea, where it currently has only minor exploration interests. The deals are subject to rights of first refusal by other field partners, which may purchase the assets at the same price offered to OMV.

"You hear a lot of talk about time running out on the North Sea," said Mr Steve Housnell, director of exploration and production at OMV. "We obviously feel differently about it."

Mobil stressed that the sale did not represent any retreat from the North Sea. "OMV came to us out of the blue and made us an offer we couldn't refuse. We regard this as a one off," it said.

Mr Tony Durrant, at Shearson Lehman Hutton, who advised OMV said: "I would not deny that they have paid full value." He said that OMV would be able to offset tax liabilities from approximately 15,000 barrels a day of production with exploration spending. He also noted that a full price was required to prevent the field partners from exercising rights of first refusal.

Analysts questioned why OMV would need such a large stream of taxable income when it currently had virtually no UK exploration and said this could require the company to pay a high price for exploration acreage. One analyst estimated the company would have to spend up to $80m in exploration in the next five years to justify the price paid.

Saatchi directors may take pay cuts

By Alice Rawsthorn in London

DIRECTORS of Saatchi & Saatchi, the communications group, are expected to announce in London today that they are taking voluntary pay cuts.

Saatchi has come under pressure from the markets recently as its share price has fallen sharply reflecting its financial problems.

A "ginger group" of investors – led by Mr Joseph Marciano, a French financial analyst – plans to criticise the management at today's annual meeting.

Executive pay has become controversial in the UK after some large salary increases in the late 1980s. Mr John Gunn, chairman of British & Commonwealth Holdings, recently offered to reduce his salary after announcing a sharp fall in profits.

Saatchi's annual bill for main board salaries is more than £3m ($4.9m). This includes £625,000 for each of the Saatchi brothers, Charles and Maurice, and £500,000 for Mr Robert Louis-Dreyfus, who was appointed chief executive last October.

Three others are each paid £345,000 a year.

Saatchi plans to use today's meeting to present Mr Louis-Dreyfus' proposals to stabilise its financial position. The group has been struggling under the debt incurred by its acquisitions in the 1980s. Mr Louis-Dreyfus plans to reduce the debt, expected to reach £260m by the year end, by selling Saatchi's consultancy companies as management buy-outs and improving working capital.

He has agreed prices for the consultancies with the managers. Saatchi should raise between £80m - £100m from the sales this year and will retain stakes in some consultancies.

It also expects to save £20m in earn-outs, or deferred payments, on the original acquisitions from next year. Saatchi is also expected to announce the appointment of two non-executive directors today.

Background, Page 18

German unity 'will increase' EC growth

By David Buchan in Brussels

GERMAN unity will increase overall economic growth in the European Community to 3.5 per cent next year and 4 per cent in 1992, the European Commission forecast last night.

Meanwhile, the Community's finance ministers yesterday nodded through proposals for about Ecu2bn ($2.4m) in new aid for eastern Europe over the next three years but cut plans to spend more on other parts of the world and on internal EC policies.

Speaking after the finance ministers' meeting, Mr Henning Christophersen, Commissioner responsible for macro-economic affairs, said that Commission estimates indicated that German unity would raise EC growth by 0.5 per cent next year and a full percentage point in 1992, above what it would otherwise have been. With West German companies redirecting exports to East Germany, other EC countries should see their exports increase in the pan-German market.

The plans to increase EC aid for eastern European aid from Ecu300m to Ecu500m this year, Ecu850m in 1991 and Ecu1bn in 1992, stirred no real controversy.

However all the EC states, with the exception of Spain, Portugal and Italy, objected to Commission proposals to increase spending on Latin America, the Mediterranean and Asia, and on internal EC policies - like environment and transport - by Ecu315m next year and Ecu580m in 1992.

The Council of Ministers eventually settled for an extra Ecu140m next year and Ecu280m in 1992, over objections of Spain which considered it too stingy, and the Netherlands which regarded it too generous.

● The Organisation for Economic Co-operation and Development (OECD) has set up a special department to handle its growing links with the former Communist countries of eastern Europe that are adopting market-based economies, writes Peter Norman, Economics Correspondent.

The Paris-based organisation of the world's 24 leading industrial countries said yesterday that a new Centre for Co-operation with the European Economies in Transition, headed by Mr Salvatore Zecchini, an assistant secretary general of the OECD, would organise co-operation between the OECD and central and east European countries "engaged in fundamental reforms."

The centre would aim to develop a dialogue on economic and social policies by sending missions, receiving experts and organising conferences and seminars. It will call on the expertise of the OECD secretariat and member countries.

All east European countries, with the exception of Romania, have established links with the OECD. Czechoslovakia wishes to become an OECD member while Hungary has asked the OECD for help with its economic policy. The OECD also sent a large mission to Poland to discuss how to help it move to a market-based system.

WORLD WEATHER

		°C	°F
Ajaccio	S	16	61
Algiers	C	21	70
Amsterdam	S	11	52
Athens	S	17	63
Bahrain	S	25	77
Bangkok	–	–	–
Barcelona	C	16	61
Beirut	–	–	–
Belfast	F	9	48
Belgrade	S	24	75
Berlin	C	11	52
Biarritz	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]
B. Aires	–	–	–
Cairo	[illegible]	[illegible]	[illegible]
Cape Town	S	26	79
Caracas	–	–	–
Casablanca	C	19	66
Chicago	S	16	61
Cologne	F	12	54
Copenhagen	–	–	–
Corfu	S	17	63
Dallas	C	21	70
Dublin	C	9	48

		°C	°F
Dubrovnik	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]
Funchal	[illegible]	[illegible]	[illegible]
Geneva	[illegible]	[illegible]	[illegible]
Gibraltar	[illegible]	[illegible]	[illegible]
Glasgow	[illegible]	[illegible]	[illegible]
Guernsey	[illegible]	[illegible]	[illegible]
Helsinki	[illegible]	[illegible]	[illegible]
H. Kong	[illegible]	[illegible]	[illegible]
Innsbruck	[illegible]	[illegible]	[illegible]
Inverness	[illegible]	[illegible]	[illegible]
Islamabad	[illegible]	[illegible]	[illegible]
Istanbul	[illegible]	[illegible]	[illegible]
Jakarta	[illegible]	[illegible]	[illegible]
Jersey	[illegible]	[illegible]	[illegible]
Jo'burg	[illegible]	[illegible]	[illegible]
Lima	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]
Los Angeles	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Majorca	[illegible]	[illegible]	[illegible]
Malaga	[illegible]	[illegible]	[illegible]

		°C	°F
Malta	S	17	63
Manchester	[illegible]	[illegible]	[illegible]
Manila	[illegible]	[illegible]	[illegible]
Melbourne	[illegible]	[illegible]	[illegible]
Mexico City	[illegible]	[illegible]	[illegible]
Miami	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Montreal	[illegible]	[illegible]	[illegible]
Moscow	[illegible]	[illegible]	[illegible]
Munich	[illegible]	[illegible]	[illegible]
Nairobi	[illegible]	[illegible]	[illegible]
Naples	[illegible]	[illegible]	[illegible]
Nassau	[illegible]	[illegible]	[illegible]
New Delhi	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]
Nice	[illegible]	[illegible]	[illegible]
Nicosia	[illegible]	[illegible]	[illegible]
Oporto	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]
Peking	[illegible]	[illegible]	[illegible]
Prague	[illegible]	[illegible]	[illegible]
Reykjavik	[illegible]	[illegible]	[illegible]

		°C	°F
Rhodes	[illegible]	[illegible]	[illegible]
Rio de Ja	[illegible]	[illegible]	[illegible]
Rome	[illegible]	[illegible]	[illegible]
Salzburg	[illegible]	[illegible]	[illegible]
San Francisco	[illegible]	[illegible]	[illegible]
Seoul	[illegible]	[illegible]	[illegible]
Singapore	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Strasbourg	[illegible]	[illegible]	[illegible]
Sydney	[illegible]	[illegible]	[illegible]
Taipei	[illegible]	[illegible]	[illegible]
Tangier	[illegible]	[illegible]	[illegible]
Tel Aviv	[illegible]	[illegible]	[illegible]
Tenerife	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Toronto	[illegible]	[illegible]	[illegible]
Tunis	[illegible]	[illegible]	[illegible]
Valencia	[illegible]	[illegible]	[illegible]
Venice	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Warsaw	[illegible]	[illegible]	[illegible]
Washington	[illegible]	[illegible]	[illegible]
Zurich	S	16	61

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Soviet fight for reforms

Continued from Page 1

link between a separate legislature and the executive.

But Mr Yuri Afanasyev, co-leader of the Inter-Regional Group of deputies with Mr Boris Yeltsin, condemned the haste of the reform plan.

There should be no act on the presidency without a new Union Treaty with all the republics, he said, with direct elections to the presidency, installation of a fully-fledged multi-party system, and abandonment by Mr Gorbachev of any position in the Communist Party.

Then, just as it looked as if he might persuade the waverers to join him, Mr Afanasyev rounded on the one great untouchable figure of Soviet mythology - Lenin.

To cries of dismay from the hall, he declared: "If our leader and founder laid the foundations of anything, it was the institutionalisation of the policy of mass violence and terror. He institutionalised the principle of lawlessness as a state policy."

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INSIDE

Twist in the tale of a corporate cliffhanger

It's a corporate cliffhanger of the best kind. British & Commonwealth's bid to make a comeback, if it succeeds, would be a striking rebound. None the less, recent developments have increased the chances that the survival plan devised by the struggling financial services company may win through. One of the most positive signs is a vote of confidence from the industrialist Sir Peter Thompson (above) who is expected to become a non-executive chairman. The picture will become clearer, however, on April 26 when B&C plans to announce its full-year accounts. Page 29

Feeling better while getting well

Nausea and vomiting. These are all-too-frequent side-effects of drug and radiation treatments for cancer. They can be so violent the patient suffers physical damage such as torn tissues and broken bones. Such traumas could, however, be a thing of the past. Glaxo, the UK drugs group, yesterday gained approval in Britain and France for Zofran, a drug which relieves the side-effects of chemotherapy or radiation in cancer treatment. Page 39

Protecting the rural underdog

EC Agriculture Commissioner Raymond MacSharry is feeling bullish. Despite an inevitable barrage of criticism from reluctant member states, he is determined to press ahead with his "rural development" strategy — which aims to help Europe's smaller farmers cope with the impact of reforms to the common agricultural policy. Page 40

Europe grabs the action

European stock markets were the focus of most of the action last week, as the US and Japan took a breather following five days of excitement. France and West Germany both made solid gains, while some of the smaller continental countries surged by more than 4 per cent. A rising oil sector helped France to gain 3.2 per cent on the FT-Actuaries index, building on its 2.8 per cent advance of the previous week. Page 52

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Hertie	323	+	9
Nixdorf	261	+	3
Falls			
[illegible]	818	−	3
Linde	663	−	11
Porsche	1010	−	25
Varta	407	−	3

NEW YORK ($)

Rises			
Eli Lilly	83	+	⅛
Fab-Cent of Am	18½	+	1⅞
Grubb & Ellis	4¾	+	¾
MGM-UA	17½	+	⅝
Falls			
Bristol-Myers	53⅝	−	⅜
Nat Semicond	7⅜	−	¼

PARIS (FFr)

Rises			
Accor	673	+	6
Compagnex	380	+	28
Falls			
Bancaire Cie	547	−	9
Cogifi	[illegible]	−	10
Locafrance	507	−	23
Orsan	370	−	11

TOKYO (Yen)

Rises			
Eisai	1280	+	180
Sawafuji Elec	1330	+	100
Tokyo Forging	1810	+	140
Falls			
Higo Bank	2380	−	230
Miyazaki Bank	1840	−	260
Nissho Elec	5700	−	800

LONDON (Pence)

Rises				Brit Aerospace	485	−	1
Aquascutum"A"	120	+	22	Burton	169	−	6
BTR	415	+	1	Hartwell	149	−	7
Camford Eng	332	+	20	[illegible]	400	−	35
Enterprise Oil	611	+	12	Parkfield Grp	361	−	6
Glaxo	723	+	11	Transport Dev	206	−	6
Lowe Group	393	+	5	Trusthouse Forte	252	−	9
Sketchley	280	+	3	Vickers	219	−	1
Unilever	652	+	3	[illegible]	653	−	11
Falls							
A B Foods	392	−	8				

Winterthur pays $630m for US insurance group

By John Wicks in Zurich

WINTERTHUR Insurance of Switzerland yesterday announced a significant expansion of its US activities with the agreed $630m purchase of a group of property and casualty companies from Mr Saul Steinberg's Reliance Group Holdings.

Winterthur said it had been planning for some time to reinforce its US market position. It is buying Wisconsin-based General Casualty Companies, a group of US insurance firms with combined annual premium income of about $400m.

The takeover, one of the biggest by a European insurer in the US, will boost Winterthur's total premiums in the US to almost $1.2bn this year. The Swiss company reported gross premiums of $6.92bn in 1988, of which $745m came from its US operations.

Winterthur said that, "to maintain its entrepreneurial flexibility," a rights issue of new shares and participation certificates would be proposed at the shareholders' meeting in Winterthur on June 28.

General Casualty comprises the company General Casualty of Wisconsin and its two subsidiaries General Casualty of Illinois and Regent Insurance company. Winterthur said the group has a "record of strong returns," with results better than those for the industry as a whole.

Almost 60 per cent of General Casualty's premium volume originates from commercial business and the rest from personal lines.

The new acquisition has the added benefit of acting as a geographical complement to existing business. General Casualty operates in 16 mid-western states, while Winterthur's Dallas-based unit, Republic Financial, is largely active in the south-west and west. Southern Guaranty of Montgomery, Alabama, Winterthur's other US arm, concentrates on south-eastern markets.

The transaction, which is subject to approval by the US authorities, was carried out in agreement with General Casualty's management, who will continue as an "independent management unit" within the group.

Reliance said it expects to realise a pre-tax gain of about $390m from the sale of the unit. The gain would be recorded in the second quarter of this year, when completion is expected.

Mr Steinberg, Reliance Group's chairman and chief executive, said: "The transaction will have a major positive impact on Reliance Group Holdings and our ongoing insurance operations."

Last year, Reliance reported net income of $21.7m, or 29 cents per share, down from $23.6m, or 32 cents in 1988. However, the latest figures were boosted by pre-tax capital gains of $80m. Revenues rose to $4.01bn from $3.10bn in 1988.

Barings profits more than double to £66m

By David Lascelles, Banking Editor, in London

BARINGS, the City of London's oldest merchant bank, finally overcame two centuries of shyness about its affairs yesterday by disclosing its full results for the first time – with some prodding from Brussels.

The 228-year-old bank turned out to be considerably more profitable and stronger than it had admitted in its earlier, sparse accounts, with profits more than doubling last year to £65.9m ($107.4m).

Mr Peter Baring, chairman, said the step was "predictable" in light of EC banking regulations due to come into force in 1993. But Barings decided to anticipate the new rules because it believed that fuller disclosure was healthy for its business.

For years, Barings took advantage of an exemption to the UK Companies Act which permits banks to report their profits "after transfers to inner reserves." This enables banks to present a picture of steadily rising profits even if it bears little relation to reality. But under EC regulations, all banks will have to make full disclosure by 1993. Banking supervisors will also exclude inner reserves from their capital calculations after 1993.

Mr Baring said: "We have been feeling for some time that the benefit of presenting a calm exterior was diminishing, because we are in a volatile business and we become more and more visible to the market." Non-disclosure was also making it difficult to communicate with staff, he said.

Yesterday's results showed 1989 pre-tax profits of £65.9m, up from £25.8m in 1988. This represents a return of 39 per cent on the bank's capital before tax, or 24 per cent after tax. Shareholders' funds were up from £152.3m to £161.8m. Last year, under its previous accounting practices, Barings reported profits of only £8m after tax, and shareholders' funds of £125m, suggesting that hidden reserves that year amounted to some £37m.

Mr Baring said that more than half the profit was earned by Baring Securities, the bank's successful equity trading and broking arm which specialises in the Far East. Its managing director is Mr Christopher Heath, one of the UK's highest-paid executives with a £2.5m salary in 1987. Mr Baring said Mr Heath would have earned even more last year. He declined to state the exact figure.

Barings' corporate finance activities, which included refinancing Ferranti during last year's crisis, also had a record year. There was growth in the bank's asset management activities, but treasury and capital markets had a difficult time in volatile conditions.

The results proved Barings to be a highly profitable bank. Its return on capital is high by merchant bank standards, although Mr Baring stressed yesterday that future profits will be closely linked to the fortunes of the financial markets.

Barings is owned by the Baring Foundation, a charity which will receive about £3.5m gross in dividends and donations in respect of the 1989 profit. The charity spends the bulk of its money on social welfare.

Lex, Page 20

Libra Bank to wind up its affairs by year-end

By David Lascelles, in London

LIBRA BANK, one of London's last remaining consortium banks, is to wind up its affairs.

The bank, which specialised in Latin American lending, is to sell its assets to its parents and will close its doors by the end of this year.

The decision was taken last Friday at a meeting of Libra's 10 shareholder banks.

The alternative was to provide Libra with a further large injection of capital in order to enable it to raise its provisions to the new level set by the Bank of England matrix.

Provisions are currently at the equivalent of 32 per cent of exposure, but would have had to be raised to 56 per cent. This would have entailed an outlay of several hundred million pounds.

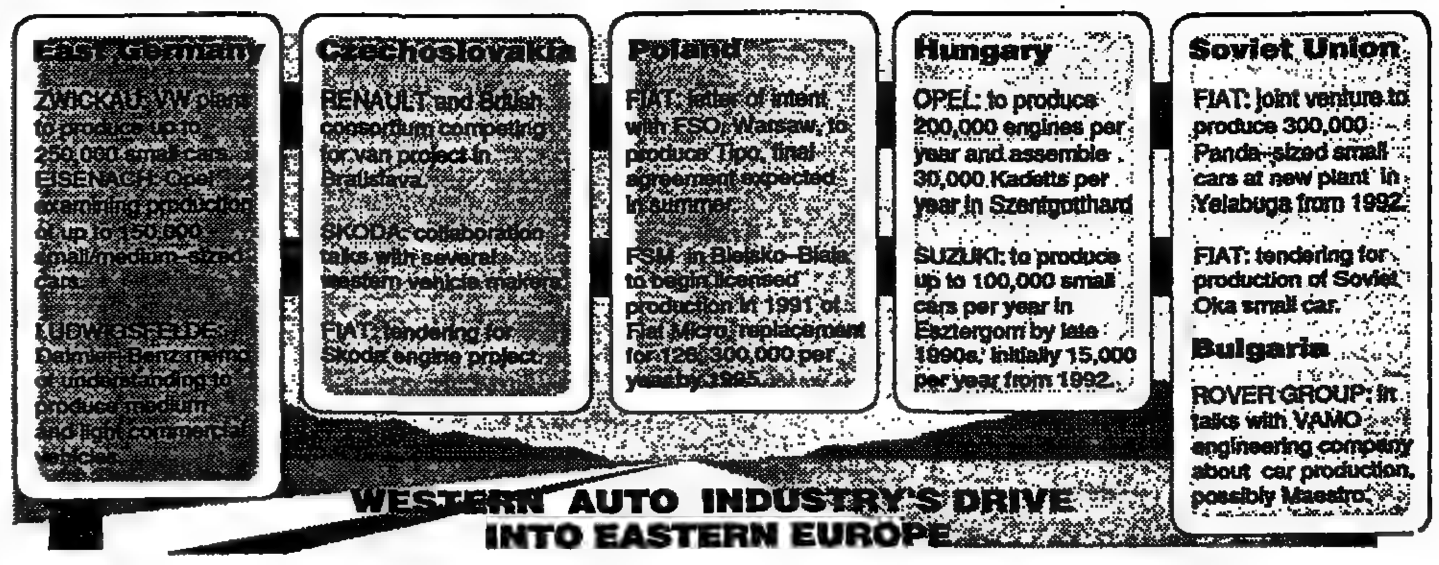
Mr Carlos Santistevan, an executive director, said last night that the shareholder banks had decided they would rather take the loans on their own books.

Libra has a total portfolio of £1.5bn ($2.4bn) and provisions of £468m which will be shared out among the owners in proportion to their shareholdings. The holders in Libra are: Chase Manhattan, Royal Bank of Canada, National Westminster Bank, Swiss Bank Corporation, West-Deutsche Landesbank, Mitsubishi Bank, Bancomer, Banco Itau, Credito Italiano and Banco Espirito Santo e Comercial de Lisboa.

Libra, which employs 200 people, is the latest of several consortium banks to fall victim to the problems of third world debt, though its chances had been rated higher than many because it had developed an active asset trading business and other sources of income.

In 1988 it made a pre-tax profit of £24m but plunged into a £175m loss at the halfway stage last year because of exceptional provisions.

Last December, Eulabank, another consortium bank, said it was winding itself down, and a year earlier European-Brazilian Bank turned in its banking licence. A third bank, Intermex, transferred half its loan book to its parents, but is still in business.



A fast autobahn to unity

Kevin Done on W Germany's annexation of the auto industry next door

The West German auto industry, the strongest in western Europe, is moving at break-neck speed to annex the outdated vehicle makers of East Germany. It aims to block other western companies from finding a back-door into a unified Germany, which will become by far the biggest single vehicle market in Europe.

In a flurry of deals announced in the last 48 hours, Volkswagen and Adam Opel (the West German subsidiary of General Motors of the US), the two biggest car makers in the Federal Republic, have announced joint venture deals, which suggest that they will be taking over – to all intents and purposes – the industrial leadership of the present antiquated production plants for East Germany's Trabant and Wartburg cars. At the same time Daimler-Benz, the world's biggest truck maker, is aiming to take over the leadership of the East German truck industry.

All three are clearly intending to integrate the East German operations as quickly as possible into their West German and West European production systems, while Daimler-Benz also sees East Germany as one of its gateways to the East.

The financial details of the West German deals are still vague and can hardly be finalised before East Germany has passed the necessary legislation to allow the formation of joint ventures. West German auto producers have decided, however, that speed is of the essence, if they are to take advantage of a once-in-a-lifetime opportunity.

In this expansion they face several challenges. For example, Mr Carl Hahn, chairman of the management board of Volkswagen, says the reunification of Germany means that East Germany will not become a low-cost production base like the rest of East Europe, probably quite the reverse.

"In the initial phase there will be a wage differential," says Mr Hahn, "but the more these two countries become re-united, the more this differential will be substantially reduced. You should not base medium and long-term planning on East Germany being a low-cost area."

But East Germany does offer a previously untapped new car market on the Federal Republic's doorstep, and it offers a reservoir of skilled labour and a base for further expansion of capacity.

There is also an important defensive dimension. If the West German producers do not move quickly into East Germany, there would be no shortage of rivals ready to fill the vacuum and gain a foothold from which to challenge the dominance of VW, Opel and Daimler-Benz in a unified German market.

A common language, common cultural roots and not least the physical proximity mean that the West German industry is eager to assimilate the East German production locations into its West European production system.

"From the geography there are opportunities of integration in the Volkswagen group's division of labour," says Mr Hahn, a native of Chemnitz, currently named Karl-Marx-Stadt, the headquarters of the East German auto industry.

"Zwickau (home of East Germany's out-dated Trabant) and Eisenach (the Wartburg plant) are only 300 kms from Wolfsburg (the VW headquarters), while Ingolstadt (the home of Audi, VW's executive car subsidiary in Bavaria), is 600 kms away," he says.

The West German auto industry's rush into East Germany clearly has special dimensions. Mr Hahn admits that Volkswagen is in a position "to fulfil a role that is not only industrial but political too."

The element of excluding other western competitors is also high on the agenda. "Remember President Mitterrand came recently with Mr Calvet [chairman of Peugeot] to Berlin," says Mr Hahn. He insists, however, that VW can be profitable in East Germany. "Our job is to multiply capital, not consume it. If our research showed we could not produce profitably we would not go."

VW's present licensed engine production project with VEB IFA-Kombinat Personenkraftwagen, the holding company for the East German car industry, was conceived as a barter deal. Mr Hahn says future projects could be done on this basis, too, with VW buying engines, components and capital equipment – but he hardly thinks such devices will be necessary. "The East German Mark could be abolished before we start production. There is a better than 90 per cent chance that by the time we break ground, doing business there will be quite a normal affair."

Mr Helmut Werner, director for trucks at Mercedes-Benz, calls for speed. "Once a currency union comes in, it will only be two minutes before every western European truck producer makes its products available in East Germany," he said yesterday.

VW has also embarked on a plan to reform the components supply base in East Germany. At present, the East German auto industry is vertically integrated to a degree long since unheard of in the West. IFA-Kombinat includes everything from vehicle assembly to virtually the whole gamut of automotive components. "This guarantees the highest degree of inefficiency," says Mr Hahn.

VW has already brought together 80 of its leading West German suppliers with 40 of their counterparts in East Germany to discuss how they can collaborate, and further meetings are planned later this year.

At the consumer end of the industry, the West German producers are also establishing joint ventures to handle sales and service and to establish dealer networks. VW has already had hundreds of applications from would-be dealers in East Germany, and some car retailers in the Federal Republic have already developed independent contacts with workshops across the border in preparation for expansion into East Germany.

Opel held a meeting with potential East German dealers at the weekend near Frankfurt and has already signed 38 dealer contracts.

While the ink is still drying on the contracts with East Germany, Volkswagen, General Motors and their western rivals are also moving fast to stake out positions in other parts of East Europe. "There are a lot of things moving. You sometimes wonder if you are catching all the balls you want to," says Mr Hahn.

General Motors has already signed a deal in Hungary, and Suzuki of Japan is also to start car production there.

Fiat of Italy is maintaining its dominance in Poland, and is embarking on a small car joint venture in the Soviet Union.

"This is a tremendous opportunity that is not about to repeat itself," says Mr Robert Eaton, president of GM Europe. "By itself, East Europe is a huge market that will develop relatively rapidly over many years. There is such a tremendous shortage of products." Mr Eaton does not see the growth of assembly capacity in East Europe as a threat to West European vehicle operations. "Demand in East Europe will grow faster than capacity there."

Lucas buys software group for around £40m

By Richard Tomkins, Midlands Correspondent

LUCAS Industries, the UK-based aerospace, automotive and industrial group, is buying Metier, a world-wide software engineering company specialising in project management systems, for a sum believed to be around £40m ($64m).

The vendor is Lockheed, the US aerospace and defence group, which last year decided to divest its information services division to concentrate on core activities.

Metier, which had sales in 1989 of $86m, is said to be the world's largest supplier of planning and control software in the Artemis computer language. Based in Hayes, Sussex, but with 650 employees world-wide, it serves a range of sectors including aerospace, construction, automobiles, telecommunications, government organisations and financial institutions.

Lucas is buying the company to slot it in with an existing subsidiary in its industrial division called Lucas Engineering & Systems. The aim is to combine Metier's software skills with LE&S's knowledge of applications to form a more powerful systems engineering and applications concern supplying products not only to other Lucas subsidiaries but to companies outside the Lucas group.

The acquisition of Metier will provide a world-wide sales network for LE&S's applications software, while the industrial unit will provide applications knowledge and consultancy to support Metier's software product development.

Lucas said the association of LE&S would position Lucas to take advantage of forecast growth in global markets for applications software and services over the next few years.

DSM doubles earnings despite weakening market

By David Brown in Amsterdam

DSM, the Dutch chemicals group which was partially privatised in a highly successful international launch last year, reported 1989 net profits more than doubled from Fl 622m ($327.4m) to Fl 1.38bn but warned that markets had weakened in the early part of this year.

Mr Adrianus Timmermans of DSM's managing board said operating results during the first quarter would slip to about Fl 300m, from the Fl 431m achieved in the strong first quarter of 1989, and would remain at roughly this level for the rest of this year.

This implies an operating result for 1990 of about Fl 1.2bn. Many analysts expect the per share results to decline this year, perhaps between 20-30 per cent, due to DSM's cyclical vulnerability in the base chemicals business.

The 1989 net profit figure, which was in line with expectations, included Fl 345m in extraordinary income stemming from the sale of DSM's shareholding in DAF, the Dutch truck manufacturer, and the multi- and polyvinylchloride operations.

Operating results advanced 15 per cent to Fl 1.38bn. As previously announced, the group will pay a dividend of Fl 8 per share. DSM is 33 per cent owned by the Dutch Government.

● Philips, the Dutch electronics group, yesterday announced a preliminary agreement to buy Control Data's 49 per cent stake in Laser Magnetic Storage, a Philips' controlled joint venture with sales of "about" $150m. The terms of the deal were not disclosed.

The Colorado Springs-based joint venture was formed by Philips and Control Data in 1986, and produces optical and tape mass memory dry mechanisms for use with computers.

● Wessanen, the Dutch foods group, reported 1989 net profit down 12 per cent from Fl 92.6m ($48.7m) to Fl 81.3m, corresponding to earnings per share of Fl 5.07, down Fl 0.93. Sales advanced from Fl 3.8bn to Fl 4.2bn. This lacklustre performance was roughly in line with expectations.

VW sets rights issue at DM440

VOLKSWAGEN, the West German car maker, has priced its new shares to be issued in a previously announced one-for-ten rights issue at DM440 ($258.8) a share, which would raise DM1.32bn.

VW also said the subscription period for the shares would be from March 26 to April 5 for owners of ordinary shares and until April 9 for owners of preference shares. VW shares slipped DM3.50 to DM558.50 yesterday.

VW announced the issue of 3m shares in February. The issue will raise VW's nominal capital by DM150m to DM1.65bn. The new shares will be entitled to the full 1990 dividend.

■ Huhtamäki, the Finnish foods, pharmaceutical and packaging group, reported an improvement in profitability last year after turning its US confectionery operations back into the black following losses in 1988, writes Enrique Tessieri.

Although Huhtamäki reported a 66 per cent drop in profit before appropriations and taxes to FM176m ($44m) in 1989 from FM521m the previous year, the 1988 figure was boosted by extraordinary income of FM369m from asset sales.

Consolidated sales rose 24 per cent to FM5.48bn from FM4.44bn in 1988. Earnings per share rose to FM7.32 from FM7.15. The board proposes a 13 per cent increase in dividend to FM2.60 a share.

■ Outokumpu, the Finnish state-owned base metals group, said income before extraordinary items last year dropped to FM1bn in 1989, from FM1.2bn in 1988, writes Enrique Tessieri.

The company blamed inventory losses, which reached FM69m last year, and compared with an inventory gain of FM360m in 1988. Excluding inventory gains and losses, the group's result was FM1.07bn in 1989 compared with FM843m in 1988.

■ Mediobanca, the Italian merchant bank, increased pre-tax profit from L162.9bn ($129.4m) to L275.7bn in the six months to December 1989, Reuter reports.

The bank attributed the profit increase to L71.8bn from ordinary operations and L41bn for extraordinary items.

Irish Life outlines privatisation

By Patrick Cockburn

IRISH Life Assurance, the state-owned company with 40 per cent of the Irish life insurance market, is to be privatised according to a statement yesterday by the Irish Government.

Mr Albert Reynolds, the Minister for Finance, said the Irish Government intended to reduce its shareholding from 90 per cent to 34 per cent through public flotation but will remain the largest single share holder.

Irish Life, which has reserves of I£400m ($255.8m) and manages I£4bn in funds, was formed in 1939 by amalgamating the life offices of five UK life insurers.

The bank currently has a field force of 500 representatives in Ireland and another 300 in the UK.

According to Mr David Kingston, Irish Life's managing director, the company intends to provide "long term financial services from its Irish base. To achieve this ambition we will need access to further capital."

To safeguard against takeover the Irish Government will retain a "golden" or special share which will limit the size of individual private shareholdings after flotation.

UAP increases international issue portion

UNION des Assurances Paris (UAP), disappointed with the domestic results of its recent share issue, has decided to increase the international portion, AP-DJ reports.

The state-controlled insurance concern said current financial conditions in France were not "favourable," contributing to an undersubscription by 25 per cent so far for the French portion of the FFr6.6bn ($1.15bn) issue, the largest yet made on the Paris Bourse.

UAP placed a significant portion of the blame on the French banks who contracted to place the shares.

Credit du Nord recovers from 'state of emergency'

By George Graham in Paris

CREDIT DU NORD, the commercial banking subsidiary of France's Paribas group, nearly doubled its net profits last year to FFr112m ($19.4m), marking its return to solid profits after heavy losses in 1986 and 1987 and a more modest profit in 1988.

"The general situation has improved to the point where we can look beyond a state of emergency and start building tomorrow's bank," said Mr Bruno de Maulde, chairman.

He said Crédit du Nord's operating ratios still fell short of those achieved by the biggest French banks, "but we have caught up some of our other less brilliant competitors."

Crédit du Nord's objective remains a net profit of FFr400m by 1992, which would imply an operating profit of FFr1.4bn.

Mutual fund and electronic home banking were two sectors which performed well in 1989, Mr de Maulde said.

Lending activity had also developed strongly, with the bank's total outstanding credits rising by 14 per cent to FFr69.3bn.

Eni chief prepares legal retaliation

By John Wyles in Rome

THE BOARD of Enimont, Italy's deeply troubled public-private chemicals joint venture, will begin preparing today for a special shareholders' meeting scheduled for April 30. The purpose of the meeting is bitterly opposed by one of the company's main controlling shareholders.

Mr Gabriele Cagliari, president of Eni, which holds 40 per cent of Enimont, indicated in a television interview last night that he was preparing legal and other retaliation against Mr Raul Gardini's attempt to secure full managerial control of the joint venture.

He said the law courts offered "the only way" to deal with Mr Gardini's assault on the founding agreements which divided 80 per cent of Enimont between Eni and Mr Gardini's Montedison.

In the meantime, said Mr Cagliari, he would seek another board meeting to propose that Mr Lorenzo Necci return to the post of Enimont president which he resigned two weeks ago, complaining that the divisions between the two main shareholders had made his job impossible.

Since then, day to day management of Enimont has been in the hand of Mr Sergio Cragnotti, Enimont's managing director and one of Mr Gardini's men.

In an impenetrable game of bluff, Mr Gardini, whose Montedison and its allies now control 51 per cent of Enimont shares, is behaving as though Eni had no power to block his proposal for a capital increase of L10,250bn ($8.14bn), based partly on merging Montedison's speciality chemicals companies, Himont and Ausimont, with Enimont.

Mr Gardini managed to secure the calling of the special shareholders' assembly at last Thursday's Enimont board meeting when one of Eni's directors voted with the Montedison board members. He did so on the grounds that the Italian Civil Code automatically provides for such an assembly when requested by 20 per cent of the capital.

But the fact remains that without Eni's agreement Mr Gardini cannot muster the necessary 65 per cent majority in favour of the capital increase and of changes in Enimont's statutes which would assure him managerial autonomy.

Mr Cagliari, who is obviously seeking to counter a Gardini public relations offensive, repeated in an interview published by L'Espresso magazine yesterday that Eni would not allow Mr Gardini full control of Enimont and that the proposed capital increase was "oversized in relation to the industrial programme which Enimont could successfully pursue."

On Saturday, Mr Gardini took out double page spreads in all national newspapers to publish a long letter to Enimont shareholders explaining the industrial opportunities and logic behind his proposals.

One of the embarrassments of his current position is that he refused to put Himont and Ausimont into the joint venture during negotiations with Eni in the autumn of 1988.

His critics, of whom there are many in Eni, say that changed business conditions and falling profits, allied to high indebtedness of the Ferruzzi Group as a whole, explain Mr Gardini's change of mind.

In the first half of 1989, Himont's operating income fell to L187bn from L265bn in the same period of 1988 while Ausimont's operating income fell to L20bn. As a result, it is argued that the value of these and the other businesses Mr Gardini is offering Enimont may be only around L3,000bn.

In his letter to shareholders, Mr Gardini says unexpectedly rapid changes in markets, technology and capital dictate a new strategy for Enimont.

This would be based on the synergic opportunities created by marrying Himont's expertise in plastic materials and Ausimont's in polymers and elastomers with Enimont's basic chemicals.

He implies that the joint venture should move out of low added value and low earning sectors such as fertilisers and PVC to create a group whose core business would be based on varieties of polymers.

This would become the world leader in these sectors with a turnover of $6bn, on a par with Dow Chemical, BASF, Hoechst, Bayer and Du Pont.

Mr Gardini promises many "leading edge" activities in the development of new biodegradable and other plastic materials.

His strategy foresees the creation of a group with 1990 sales of around L30,000bn, a gross operating margin of L3,400bn and investments of L3,500bn.

Mira Lanza suspended on Milan SE pending offer

By Haig Simonian in Milan

SHARES in Mira Lanza, the Italian detergents and speciality chemicals group majority-owned by Benckiser of West Germany, were suspended on the Milan stock exchange yesterday pending an offer for the minority stock later this week.

Terms of the proposals, which will be discussed at a Mira Lanza board meeting on Thursday, were not disclosed. The company's stock closed at L68,300 ($54.25) on Friday.

Benckiser, which has grown rapidly via a string of acquisitions in Europe and, most recently, the US, in the past two years, bought a 54 per cent interest in Mira Lanza in early 1988. Since then, there has been steady speculation that it would launch a full bid, driving up Mira Lanza's share price.

Last September, Mr Peter Harf, Benckiser's chief executive, admitted that the company had raised its stake to around 76 per cent, but denied any bid plans were in the offing. At the time, Mr Harf said merely that Benckiser had taken advantage of undervalued equity prices to raise its stake.

● Net earnings at La Rinascente, the Italian department stores group controlled by one of the Agnelli family's holding companies, rose by L6.8bn to L77bn last year.

Group turnover in 1989, excluding value added tax, jumped by almost 25 per cent to L3,695bn thanks partly to the inclusion of majority-owned Sigros Distribuzione, based in Sicily.

Investments, which included the opening of seven new outlets, rose by L41bn to L221bn. The company plans to pay a dividend of L150 a share on its ordinary shares and L230 on its savings stock.

Pharmaceuticals help lift Procordia profits by 15%

By Robert Taylor in Stockholm

PROCORDIA, the Swedish holding company with interests mainly in consumer goods, services and pharmaceuticals, announced yesterday a 15 per cent rise in its profits (after financial items) for 1989 from SKr1.99bn ($323m) to SKr2.28bn. Group sales rose 12.9 per cent to SKr20.57bn from SKr18.22bn.

The board proposed lifting the dividend to SKr2.50 a share from SKr2.0 a share. The group said it would not give any forecast for this year until it publishes the prospectus for the proposed deal with the Volvo-controlled pharmaceutical company Pharmacia and Volvo's food division Provendor in a few weeks time.

The best result in the group was in pharmaceuticals with an increase to SKr900m from SKr645m and a sales rise to SKr4.1bn compared with SKr3.3bn in 1988.

The consumer goods division lifted profits to SKr1.24bn from SKr1.11bn and sales to SKr9.35bn from SKr7.70bn. Profits rose impressively in its beer, tobacco and confectionery activities.

● Svenska Handelsbanken, one of Sweden's top three commercial bank groups, reported an 8 per cent rise in group operating profits to SKr 3.95bn for 1989, writes Jack Burton.

The board proposed a dividend of SKr4.10 per share, an increase of 21 per cent. Profits from mainstream banking operations improved by 8 per cent to SKr3.58bn.

Total income for the group also rose by 8 per cent to SKr7.9bn. Interest income climbed by 12 per cent to SKr 5.78bn, reflecting an increase in lending volume. Costs climbed by 9 per cent to SKr 1.9bn as the bank's international expansion continued.

INTERNATIONAL COMPANIES AND FINANCE

National Semi losses disappoint the market

By Louise Kehoe in San Francisco

NATIONAL Semiconductor, the Silicon Valley chip manufacturer, disappointed analysts with higher than anticipated losses for the third quarter, but the group expects to return to profitability in the fourth quarter.

Net losses for the quarter ended February 25 were $10.2m or 12 cents per share, compared with a net loss of $44.6m or 46 cents in the year-ago period. Analysts had projected third-quarter losses of 2 cents to 5 cents per share.

Net earnings were boosted by one-time credits totalling $11.3m. These included a $4.6m credit due to lower than anticipated costs associated with closing a plant in Danbury, Connecticut, and a $2.5m gain from selling an operation.

Revenues rose 6 per cent to $404.3m from $379.3m in the third quarter last year.

National had indicated it expected a difficult third quarter, usually its slowest selling period of the year. The company noted that its manufacturing operations were closed for two weeks during the Christmas holiday period.

"In addition, our performance was affected by continued pricing pressure in certain product areas," said Mr Charles Sporck, president and chief executive. Prices of electrically programmable read-only memory (Eprom) chips, widely used in personal computers, have fallen over the past year.

"During the quarter, we completed the closure of the Danbury facility, which was the final step in the cost reduction and restructuring programme announced in the fourth quarter of fiscal 1989," said Mr Sporck.

In the nine-month period the company suffered a net loss of $29.7m or 36 cents per share on sales of $1.22bn, compared with a net loss of $100.3m or $1.04 on sales of $1.23bn.

Bolar fights to get out of the mire

Karen Zagor on the scandal that hit a successful generic drug maker

It reads like an old-fashioned tale of greed and corruption: government regulators took bribes from companies, approved products without checking the paperwork too carefully and gave some companies preference when approving products.

It all turned sour when a small company, which thought it was receiving biased treatment, hired a private detective. He sifted through rubbish bins for evidence and took his information to Washington, where Representative John Dingell of Michigan took over.

The findings of Representative Dingell's sub-committee have rocked the fledgling US generic drug industry and its watchdog agency, the Food and Drug Administration (FDA).

The generic drugs business in the US was small until 1985, when the law was changed to make approval procedures simpler for generic versions of drugs whose patents had expired. Previously, this ease of processing was available only for copies of drugs first approved before 1962.

Within four years, sales of generics increased from less than 10 per cent of the US market to between 20-30 per cent, to an annual figure of about $5bn-7bn. "It was like putting a pot of gold in front of people," says Mr Reid Stuntz, a counsel for Dingell's Sub-committee on Oversight and Investigations. "Most people were honest, but some weren't."

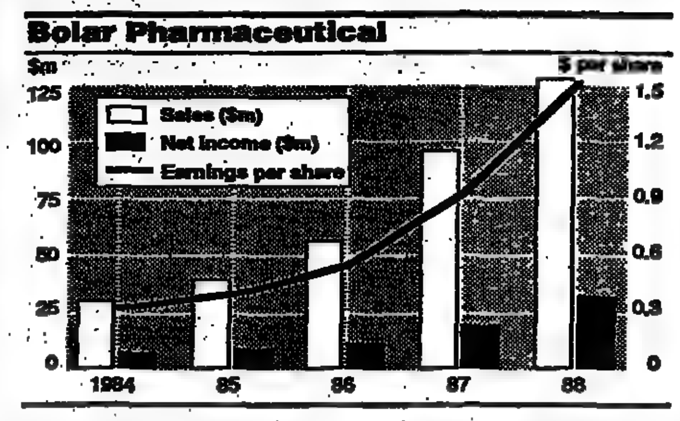
The fall-out from Dingell's investigation led to the resignation of four FDA officials, three of whom were later charged with criminal offences, including Mr Charles Chang, formerly the FDA's supervisory chemist. Several generic drug manufacturers have closed shop and others are trying to clean their operations.

Bolar is one of the biggest – and previously most successful – companies trying to pull itself out of the mire. Although the company has not been implicated in any bribery charges, Bolar is being investigated for falsifying documents in FDA applications and substituting another company's drug for its own in tests.

Bolar's production and shipments of its own-name drugs are frozen while tests are conducted to ensure that its drugs are the equivalent of the name brands they replace.

The company has also laid off, temporarily at least, 117 of its 386 employees. Mr Robert Shulman, Bolar's chairman, who co-founded the company in 1960, has resigned, as has Mr James Rivers, the executive vice president who joined in 1972 and controlled research and development.

Mr Lawrence Raisfeld, Bolar's other co-founder who had been the secretary-treasurer before the scandal broke, took over last month as president and is trying to clean up the mess by co-operating with the FDA.



Mr Raisfeld has been a close friend of Mr Shulman's since 1952, when they both worked as life guards on a New York city beach. He says he knew nothing of what has sent his company into a tailspin. The Justice Department and the FDA have pressed no charges against him.

"My obligations here were the day-to-day running of sales and investments. I had no direct or indirect contact with production and research and development," he says.

Mr Raisfeld's first task is to re-establish credibility with the FDA. He has already reached a settlement with the Securities and Exchange Commission, which had charged Bolar with misleading shareholders. But the company still faces charges from the Department of Justice and class action suits from shareholders.

Then he will try to rebuild the company's customer base. "There will be a problem with consumer acceptance and we will have to be patient, but Johnson & Johnson is back in business with Tylenol, and Perrier is back on the shelves."

Bolar's most pressing concern, according to some analysts, is to get its generic version of Dyazide, a blood pressure medicine sold by SmithKline Beecham, back on the shelves. It is estimated that generic Dyazide is worth about $70m a year in sales to Bolar.

Bolar's version of Dyazide is being tested at a FDA-approved laboratory in San Francisco. However, Mr Raisfeld believes the company will survive, even if its Dyazide fails the tests.

According to Mr Raisfeld, Bolar had a healthy cash cushion from its glory days which should help it pay for the new testing and any litigation costs. He adds that the company is not considering filing for protection under Chapter 11 of the Federal bankruptcy code.

Mr David Saks, a drugs analyst at Wedbush Morgan, is less sanguine. He reckons Bolar may face further lawsuits and the company may be forced to protect itself through Chapter 11 to survive.

"Bolar may be able to squeak by, but it's going to be difficult," says Mr Viren Mehta, a New York stock analyst at Mehta and Isley. "There has been speculation about Chapter 11, but Bolar's change of stance and co-operation with the FDA should help."

The company has not always been so co-operative. In September, Bolar employees, with help from management, took out a full page ad in the New York Times saying: "We are outraged at US Representative Dingell and his sub-committee on oversight and investigations for creating a climate of fear and distrust within the entire generic pharmaceutical industry because of the fraudulent deeds of a few."

Mr Raisfeld says: "If I'd known then what I know now, I would never have supported that ad. I didn't know there was a cancer growing."

Bolar is also under pressure from partners in two new, potentially lucrative joint ventures. KV Pharmaceuticals is suing the New York company, saying that Bolar's conduct will prejudice business. For similar reasons, Mylan Labs says it would like to buy Bolar's 50 per cent share in their joint venture to make a non-generic drug to help Parkinson's disease sufferers.

Mylan set the Dingell investigation in motion last year when it came forward with evidence of corruption at the FDA. "When we first got into it, we thought it was just a problem at the FDA and had no idea that so many companies were involved," a Mylan representative says.

Since the scandal became public, all generic drug makers have been hurt by the industry's tainted image. And the FDA, which was working with a limited budget and staff, has had further staff cuts.

The short-term beneficiaries are the brand drug makers, such as SmithKline, which has seen sales of Dyazide surge since the Bolar version was pulled from the market.

But ultimately, says Mr Mehta, "generics are an important part of healthcare and we expect them to come back."

French group in friendly bid for Federal Pioneer

By Bernard Simon in Toronto

SCHNEIDER, the French industrial group, is to make a friendly C$300m (US$254m) offer for Federal Pioneer, Canada's biggest domestically-owned electrical company.

Schneider said yesterday it would offer C$15 a share for Federal's outstanding common shares. The Canadian company's controlling shareholder, Enfield Corp, with a 53.3 per cent interest, has agreed to tender its shares.

The offer is subject to regulatory approvals, including some from the Canadian Government.

Schneider plans to finance the bid through a combination of company funds and private borrowing. It said FP would be integrated into its business through its Merlin-Gerin unit. FP has several joint ventures and technology agreements with European companies, including a licensing pact signed last year with GEC Alsthom Transformers to design and manufacture power transformers.

A large portion of its business is done outside Canada, especially in the US, Britain and Latin America.

FP earned C$22.8m before extraordinary items last year, on revenues of C$287m. The company was in the public eye last year after disclosing that its pension fund had bought a large block of shares in its parent company during a fierce battle for control of Enfield. FP took an extraordinary loss of C$7m last year following losses suffered as a result.

● Schneider expects 1989 attributable group net profit to rise to around FFr850m ($148m) from FFr560m in 1988, Reuter reports. Group turnover would be around FFr45bn, against FFr41bn in 1988.

The group said it had sufficient funds and credit lines to finance the acquisition and that it would not make any cash call on markets.

Rhône-Poulenc signs Rorer deal

By Alan Friedman in New York

RHONE-POULENC, the leading French chemicals concern that is to acquire 68 per cent of Rorer, the US drugs company, yesterday said it had signed a agreement calling for the start of a multi-stage takeover.

The total value of the deal is expected to be more than $3bn. Rorer said the deal would lead to the creation of a new company – Rhône-Poulenc Rorer – that will have $3bn worth of annual sales and will rank among the top 10 drug companies.

Rhône-Poulenc will control most of the board of the new company, including Mr Rob Cawthorn, who will stay on as chairman and chief executive.

The first step, to begin on Friday, will be a $78 per share cash tender offer for half of the outstanding Rorer stock, or 21.6m shares. This part of the deal, to cost $1.68bn, will give Rhône-Poulenc 50.1 per cent of Rorer.

The tender is subject to a change in Rorer's company statutes and to the tendering of at least 32.4m of the outstanding 43.2m Rorer shares.

Rhône-Poulenc will finance the $1.68bn tender part of the Rorer deal with the backing of a pool of banks – Société Generale, Barclays Bank, Chase Manhattan and Royal Bank of Canada.

The second stage of the takeover will bring Rhône-Poulenc's stake in Rorer up to 68 per cent.

It calls for Rhône-Poulenc to transfer its worldwide human pharmaceuticals business (with $1.9bn sales in 1989) to Rorer in exchange for the issue of 24m new Rorer shares and the assumption by Rorer of $265m of Rhône-Poulenc debt. Rorer will also pay $20m to buy Rhône-Poulenc's existing US pharmaceuticals assets.

Finally, Rhône-Poulenc will issue contingent value rights (CVRs) to Rorer shareholders, each of which will entitle Rorer shareholders to receive at the end of three years an amount by which a $98.26 target price equals the greater of the average market value of Rorer stock or a $52 floor price. This option may be renewed for a fourth year, bringing the target to $106.12.

Rorer shareholders will thus end up with a cash value equivalent to $39 per share (the $78 tender for half of their shares) plus publicly quoted CVRs and shares in Rorer.

● Les Mutuelles du Mans is increasing its stake in Canadian property and casualty insurance by linking up with L'Industrielle-Alliance, Quebec's largest life and health insurance group, writes Robert Gibbens from Montreal.

Les Mutuelles has bought control of L'Union Canadienne, a small general insurer, and has put it with L'Industrielle-Alliance's general insurance subsidiary in a new holding company, Unindal.

Les Mutuelles already has re-insurance interests in Canada and is a shareholder in Sodarcan, the largest Canadian insurance broking and re-insurance group.

CCA in A$487m bid for bottling group

By Our Financial Staff

COCA-COLA Amatil (CCA), the recently reorganised Australian quoted offshoot of the US soft drinks giant, yesterday moved further to consolidate its market position in the region by bidding A$487m (US$369.7m) for the Adelaide-based C-C Bottlers (CCB).

CCB – directors of which indicated their willingness to accept the offer – is the sole Coca-Cola franchisee for South Australia, Tasmania, the Australian Capital Territory and for parts of New South Wales, Victoria and the Northern Territory.

It also has joint ownership with CCA of Oasis Industries, a Coca-Cola franchisee in New Zealand, as well as interests in a US Coke bottler, other soft drink companies, a brewery and a restaurant chain.

The deal would give CCA a virtual monopoly of the New Zealand as well as Australian market for Coca-Cola.

For soft drinks as a whole, it will increase its Australian market share to 35 per cent from 29 per cent.

The offer is one CCA share plus A$13.25 cash for every five CCB shares.

Mr Michael Astley, CC Bottlers chairman, said this amounted to a premium of about a third over market value for its shares, which closed at A$3.75 ahead of the news.

CCA is 59.5 per cent owned by its US parent. It emerged in its present form last year when Amatil, the former affiliate of the UK's BAT Industries, spun off its cigarette side, called W.D and H.O Wills and controlled by BAT.

Mr Dean Wills, CCA chairman, said the planned unification of the Coke franchises in Australia and New Zealand "will offer operational and merchandising benefits" and strengthen the CCA balance sheet.

● Australian National Industries (ANI), the engineering group recently acquired by Mr Kerry Packer, reported sharp improvements in profits and revenues, writes Chris Sherwell in Sydney.

For the seven months to January it showed after-tax earnings of A$57.7m (US$43.8m), up 43.2 per cent.

Revenues were A$1.3bn, up 25 per cent. ANI is maintaining its interim fully franked dividend at 5.3 cents a share.

The improvements follow a plunge into the red for the year to June, when the group wrote off A$200m arising from its exposure to the collapsed Spedley group.

Ashok Leyland steps up a gear

Gita Piramal looks at an Indian commercial vehicle manufacturer

INDIA'S Ashok Leyland, regarded until recently as a conservative manufacturer of commercial vehicles and diesel engines, is acquiring a more high-octane image.

The company, which ranks second only to Telco, India's biggest commercial vehicle manufacturer, is planning to pump in Rs10bn ($593m) over the next five years to upgrade its sprawling plants at Ennore and Hosur (in Tamil Nadu), Bhandara (Maharashtra) and Alwar (Rajasthan).

Much of the fresh investment required is likely to come from the Hinduja group which acquired management control of Ashok after a fierce takeover battle in November 1987.

"We are very keen to invest in India on a long-term basis and given the scarcity of internal resources, foreign investments can play an important role," said Mr S. P Hinduja, the head of a transnational trading house which has interests in steel and non-ferrous metals, fertilisers, crude oil and petroleum products.

The investment plans come on the heels of Ashok's improved financial performance. At Rs6.7bn, sales for 1989 were up by 27 per cent and profits before tax reached Rs250m, up 21 per cent.

'We are very keen to invest in India and given the scarcity of internal resources, foreign investments can play an important role'

It has been increasing its market share, but the better financial performance is due to a combination of factors. The Indian commercial vehicle industry skidded through most of the 1980s with demand alternating between recession and slow recovery. Today demand is stronger – particularly for Ashok's range of medium and heavy commercial vehicles. A strategy of offering as many as 29 basic models with the option of further adaptation to individual customer requirements is paying off.

To maintain momentum, additions are also being made to an impressive garage of special application vehicles. Last year three prototypes of vehicles so far imported into India were developed: a fire crash tender for airports, air-conditioned tourist coaches cushioned with air-suspension and vehicles suited to the oil sector's needs.

As various state transport undertakings (STUs) replace their ageing bus fleets, this market segment is also looking up. Ashok already plays a notable role in the Indian public transport system, enjoying an overall market share of 60 per cent and a share of 80 per cent in metropolitan STUs.

This percentage may grow further once Ashok's switch to indigenous production of the double-deck chassis is completed. Initial difficulties with such chassis supplied to the Bombay STU "have since been resolved and the buses are running satisfactorily," said Mr RJ Shahaney, Ashok managing director.

Ashok has gained from technical assistance by Italy's Iveco, a Fiat subsidiary and Europe's second largest manufacturer of commercial vehicles and diesel engines.

Iveco came into the picture in November 1987 when the Hinduja group invited it to join in acquiring Land Rover Leyland International Holdings, a London-based company which controlled 39 per cent of Ashok and which was previously owned by the UK's Rover Group.

New export markets are also being explored to offset a slowdown in purchases from Sri Lanka, Bangladesh and Mauritius. A substantial increase in exports to Dubai and the emergence of Tanzania as a new market have meant that export earnings, which had plunged to Rs145m recovered last year to Rs222m.

Iveco has expressed interest in sourcing automotive components from India for its international operations. According to Mr. Shahaney: "We have made some samples according to Iveco's drawings, which have been approved. We are hoping that this will result in substantial new business for both Ashok Leyland and Ennore Foundaries, an associate company."

And if the Soviets approve the fitting of Ashok's diesel engine to their Paz buses – a decision is expected by May – Ashok will embark on business worth an annual Rs300m.

Mr Hinduja pointed out the difficulties in export growth. "Quite a few Indian industrial products have inherent competitive advantages in the international market. In order to globalise these sectors, however, the Indian Government should permit technology imports and if such technology can only come with investments and management control, these should be freely allowed," he argued.

If the Soviets approve the fitting of the diesel engine to their Paz buses Ashok will embark on business worth an annual Rs300m.

In the meantime Ashok shares have responded to the new corporate momentum. Hovering at about Rs35 before the takeover, they have moved up steadily to approach the Rs100 mark.

Foreign bankers in Tokyo surprised at 24% rise in lending

By Ian Rodger in Tokyo

FOREIGN BANKS, even very large ones like Citicorp of the US or Barclays of the UK, have never been able to cut much of a figure in Japan. Their combined market share has rarely exceeded 3 per cent and has been declining steadily for several years.

So reports in Tokyo last week of a sudden surge in foreign bank lending came as something of a surprise. According to these reports, since confirmed by the Bank of Japan, the 82 foreign banks operating in Japan scored a combined 24 per cent rise in their lending in February from the previous month. Moreover, the actual amount of the increase, at Y1,090bn ($7.2m), was much larger than the Y603.3bn made that month by the 13 big Japanese "city" or commercial banks.

Foreign bankers in Tokyo were quick to point out that the trend was unlikely to endure. The main factor was that the Bank of Japan, which is worried about the rise in property prices, has been leaning on the city banks in recent months to curtail their housing loan activities. With their March year-ends at hand, the city banks suddenly reined in their lending so that their balance sheets would show no growth from their interim reports.

However, ever responsive to their customers, the city banks suggested they visit a friendly foreign bank. "The Japanese banks are actually offering us business," said one British banker. In some cases, the Japanese bank even guarantees the loans, making them very profitable for the foreign bank.

Will this windfall continue? Not likely, according to foreign bankers. They note that most of the loans are booked for one to three months only, suggesting that the Japanese banks expect to be able to take back the business pretty quickly once the new financial year gets under way.

Is the Bank of Japan concerned about this bypassing of its guidance? "I am not aware of any attempt at guidance of the foreign banks," Mr Ralph Zeigler, branch manager of Union Bank of Switzerland and chairman of the Association of Foreign Bankers in Japan, said yesterday.

A central bank official said marginal changes in foreign bank lending tended to be large and shortlived, so there was no need for immediate action.

Some foreign bankers suspect that the central bank is secretly pleased. It has been concerned that the perennial weakness of the foreign banks in the Japanese market could become an international trade issue, and recently eased access for them to its discount facilities.

The latest lending surge, coming as it has just as the foreign banks are also about to prepare their year-end accounts, may even mean that the long-declining market share trend will be reversed this year.

Gulf Resources in dispute over shareholding

By Terry Hall in Wellington

A CASE before the New Zealand High Court this week, which could see the forfeiture of NZ$56m (US$32.98m) of shares by Gulf Resources and Chemicals of the US, will provide an important test of securities legislation put in place during the last two years.

The shareholding in dispute represents 70.4 per cent of the capital of City Realties, a property company. It is held by Zelas Enterprises, a NZ$100 shelf company set up by two Christchurch accountants.

The Securities Commission argues that Zelas has been a front for the US company, which is now set to take control of City Realties by injecting NZ$248m-worth of property into the group in return for the shares. This would see the Zelas shareholding diluted to 27.05 per cent.

The commission wants the court to rule that Gulf Resources failed last October properly to disclose itself as the beneficial owner of the shares as required by the Securities Amendment Act 1988. It also wants a ruling that the City Realties shares should be forfeited.

In court yesterday Gulf Resources counsel sought an urgent hearing in the case as Zelas was due to pay Tower Corporation, an investment institution, about NZ$37m as final payment for the shares on March 23. He said Zelas was relying on gaining funding to pay Tower by placing its City Realties shares on international markets. With the continuing uncertainty this would be impossible, he said.

C&W set to lift stake in Far East group

By John Elliott in Hong Kong

CABLE AND Wireless of the UK is to increase its controlling stake in Hongkong Telecommunications by arranging for a subsidiary to purchase half of a 6.8 per cent stake in the company held by a Hong Kong government nominee known as The Financial Secretary Incorporated.

This will raise C&W's overall stake to 58.6 per cent from the 55.2 per cent to which it would have fallen with the expected early completion of a deal under which a 20 per cent stake is being sold to the Hong Kong offshoot of the Peking-controlled China International Trust and Investment Corporation (Citic).

C&W said yesterday that there would be no further public offerings or widespread institutional placing of shares in the "foreseeable future." It had given Citic a specific assurance there would be no such deals for the next 12 months.

This appears to mark at least a temporary halt in C&W's share disposals, which started with a public share flotation at the end of 1988.

The deal with Citic, which C&W expects to finalise within the next 14 days, will provide it with about HK$10bn (US$1.28bn) needed for other investment. It is also expected to strengthen the potential in China of both C&W and Hongkong Telecom. C&W said yesterday that agreement in principle had been reached with the Hong Kong Government on the 3.4 per cent purchase which will cost it HK$1.7bn.

DBS profits rise 25.1%

DEVELOPMENT Bank of Singapore 1989 results show group net profits by 25.1 per cent at S$250.3m (US$133.8m), Reuter reports from Singapore.

Earnings per share rose to 58 cents from 48 cents. The total regular dividend is being held at 16 cents a share gross.

DBS is making a one-for-10 bonus issue. These shares will not qualify for the latest dividend but the bank said barring unforeseen circumstances it would be able to maintain its payout rate on the enlarged capital.

INTERNATIONAL CAPITAL MARKETS

Japanese equity warrant prices to go on screen

By Ian Rodger in Tokyo

THE Japanese Ministry of Finance has accepted a proposal by Japanese and foreign securities houses in Tokyo to improve the transparency of prices in the Japanese equity warrant market.

"We have reached agreement on the basic outline," a MoF official said yesterday.

The agreement means the MoF has withdrawn its controversial proposal to list the warrants on the Tokyo Stock Exchange. Foreign brokers active in the warrants market feared that plan would put them at a disadvantage.

Under the new system, which will probably come into effect in September, most dealer-to-dealer trades made during Japanese business hours will be channelled through Japan Bond Trading Co, a broker's broker. Prices of the transactions will be published immediately on a screen-based market data system. Dealers can continue to do large transactions directly, but will be obliged to publish the prices of their deals on the screen system.

For each of the roughly 300 active issues, two market makers will quote two-way prices and publish them on the screen system. Over-the-counter client business will continue to be carried out by telephone.

"We, the foreign houses, are very happy with this proposal. It gives us price visibility. I think it is going to work well," said Mr Richard Greer, branch manager of Baring Securities and the representative of the foreign securities houses in the discussions on the transparency issue.

The MoF studies to reform the secondary market for warrants began last autumn, following complaints from investors about wide spreads between buying and selling prices and erratic price movements. Its proposal to list the warrants on the TSE was opposed by both foreign and Japanese securities houses on the grounds that it would reduce liquidity in the often volatile warrants market.

The UK Government also expressed its concern about any move that might discriminate against foreign brokers.

"The whole issue has shown that foreigners can act in concert with the big four Japanese brokers," Mr Greer said.

The agreement comes at a time when the warrant market is unusually quiet, both in terms of new issues and secondary trading. The new issue market in London has been hit by the weakening of the yen – which has eliminated the advantage of issuing bonds in dollars and swapping the proceeds into yen, over simply issuing yen bonds in Tokyo.

Secondary trading has been hurt by the nervousness prevailing in the Japanese stock market since the sharp drop in share prices two weeks ago.

Exchange Fund offers HK bills

By John Elliott in Hong Kong

HONG KONG Exchange Fund bills with a minimum denomination of HK$500,000 and a maturity of 91 days are to be launched this morning by the colony's Government in an offering totalling HK$300m.

The Exchange Fund was first set up in 1935 and has been gradually expanded so that it now holds the bulk of the Government's financial assets, including foreign reserves. Its statutory role is to influence the exchange value of the Hong Kong dollar which is pegged at HK$7.80 to the US dollar.

The objective of the new bills, announced in the Hong Kong budget a year ago, is to provide an additional instrument for the Government's money market operations which are aimed at maintaining exchange rate stability. A subsidiary objective is to facilitate the development of the Hong Kong dollar paper market.

The launch will take place by tender at 10.30am this morning and the results will be announced by 3pm. Subsequent tenders will be held weekly on Tuesdays. Mr Joseph Yam, deputy secretary for monetary affairs, said yesterday that short-selling would only be allowed within one day's trading.

The bills, exempt from profits tax and stamp duty, are being issued by Hong Kong's secretary for monetary affairs.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 12

US DOLLAR STRAIGHTS | YEN STRAIGHTS | OTHER STRAIGHTS | DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | FLOATING RATE NOTES | CONVERTIBLE BONDS

(Columns: Issued, Bid, Offer, Change on day, week, Yield; Floating rate notes: Spread, Bid, Offer, C.dte, C.cpn; Convertible bonds: Cnv. date, Cnv. price, Bid, Offer, Chg. day, Prem.)

[illegible]

* No information available—previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; State Bank of Victoria; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, March 12, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]				

Abbreviations: (o) Free rate; (b) Business rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (m) Buying rate; (n) Luxury goods; (o) Market rate; (p) Official rate; (q) preferential rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, March 12, 1990

OMRON TATEISI ELECTRONICS CO.

Bearer Depositary Receipts

Notice is hereby given that at the Board of Directors Meeting of the above company held on 2nd March 1990, it was resolved to make a free distribution to shareholders of common shares of Yen 50 each.

The new shares will be allotted to shareholders appearing on the Share Register at the close of business on 30th March 1990, in the ratio of 0.05 new shares for each one share in issue.

Holders of Bearer Depositary Receipts (B.D.R.s) are advised that in order to claim their entitlement, Coupon No. 54 should be lodged with one of the under noted Banks as from the 18th May 1990 where special listing forms are available:–

Hill Samuel Bank Limited, 45 Beech Street, London EC2P 2LX.

Kredietbank S.A. Luxembourgeoise 43 Boulevard Royal, Luxembourg.

Bank of Tokyo Limited, Immermannstrasse 45, 4000, Düsseldorf 1, Federal Republic of Germany.

Bank of Tokyo Limited, Sutherland House, 3 Chater Road, Hong Kong.

Bank of Tokyo Limited, 4-8 Rue Sainte-Anne, Paris 1, France.

Bank of Tokyo Limited, Avenue Des Arts, 47/49, 1040, Brussels, Belgium.

Attention is drawn to the fact that one Depositary share is equivalent to 5 Common Shares of the Company and new B.D.R.s can be issued only in multiples of 200 Depositary Shares. Any lesser number will be sold and the proceeds distributed to the persons entitled thereto.

Any further information required may be obtained on application to any of the above mentioned Banks or to Bank of Tokyo Trust Company, 100 Broadway, New York.

Hill Samuel Bank Limited, 45 Beech Street, London EC2P 2LX.

IRELAND US$500,000,000 Floating Rate Notes Due September 1998

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from 12th March 1990 to 12th September 1990 the Notes will carry an interest rate of 8.41% per annum. Interest payable on 12th June 1990 will amount to US$429.28 per US$10,000 Note and US$10,746.11 per US$250,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York, London

McCaw Cellular Communications, Inc.

has acquired a controlling interest in

LIN Broadcasting Corporation

The undersigned acted as financial advisor to McCaw Cellular Communications, Inc. in this transaction.

LAZARD FRÈRES & CO.

March 6, 1990

U.S. $400,000,000 Hydro-Québec

Unrated

Floating Rate Notes, Series GL

Unconditionally guaranteed as to payment of principal and interest by

Province de Québec

Interest Rate 8.625% per annum

Interest Period 12th March 1990 / 12th September 1990

Interest Amount per U.S.$10,000 Note due 12th September 1990 U.S.$440.83

Credit Suisse First Boston Limited

Agent Bank

U.S. $100,000,000 GW

Great Western Financial Corporation

Floating Rate Notes Due 1995

Interest Rate 8.5625% per annum

Interest Period 12th March 1990 / 12th June 1990

Interest Amount per U.S. $50,000 Note due 12th June 1990 U.S. $1,094.10

Credit Suisse First Boston Limited

Agent Bank

INTERNATIONAL CAPITAL MARKETS

AIBD revises its system of fines

By Andrew Freeman

THE Association of International Bond Dealers, the self-regulatory organisation responsible for the Eurobond market, has announced a revised schedule of fines and penalties for members who fail to use its Trax trade matching system correctly.

This follows the withdrawal of an original fine system last November after many AIBD members objected strongly to what was seen as draconian and unworkable penalties. The AIBD agreed to review its proposals after members complained that internal operational problems made it difficult to meet Trax reporting requirements.

Mr John Langton, the AIBD's chief executive, said yesterday: "The AIBD board has passed the new schedule of fines after extensive consultation with Trax users." He said there was unlikely to be any dissent from Trax users and added that the majority of the fines would take effect from April 2, while a SFr350 sanction relating to a failure to act on a reconciliation enquiry takes effect from 1 June.

The basic fine for late reporting of a trade has been reduced from SFr25 to SFr5 if the 30-minute deadline for reporting is missed by less than a further 30 minutes.

Thereafter the fine rises to SFr15, while the sanction for failing to report a trade by the end of the day on which the transaction took place has been set at SFr50. There is a further fine of SFr50 per day for each day the trade remains unreported.

French stockbroker in net loss of FFr79m

By George Graham in Paris

MEESCHAERT-Rousselle, the French stockbroker owned by the Axa-Midi insurance group, plunged into the red last year with a net loss of FFr78.5m, following a rise in its treasury costs and a severe deterioration in its broking margins.

Mr Gérard de la Martinière, Meeschaert's new chief executive, said that the broker's net equity had been negative at the end of 1989, but that it was far from bankrupt; its capital has now been reinforced by Axa-Midi to FFr203m, with an additional guarantee of FFr400m.

The company, which once ranked as the leading stockbroker in France, made an operating loss of FFr114m — compared with a loss of FFr400,000 in 1988 — rising to FFr137.7m after provisions and exceptional items. A tax credit of FFr59.2m allowed this to be reduced to FFr78.5m, however.

Mr de la Martinière said that a part of last year's losses was due to non-recurrent causes: the lossmaking international department, now closed; provisions for unsettled transactions, which have been severely cut back; and excessive treasury costs, which have also been reduced.

He warned, however, that some FFr[illegible] of the loss was structural, and that Meeschaert would have to continue to cut back its staff to fall into line with a lower volume of business and narrower margins.

The number of lines handled by Meeschaert last year fell by 13 per cent, while broking margins fell by 20 per cent for equities and 60 per cent for bonds.

Paris has not yet suffered the massive lay-offs inflicted on stockbrokers in New York and London, but Meeschaert is not expected to be alone among French brokers in reporting losses for 1989.

Only a handful of firms, principally equity specialists like Bacot-Allain, Cheuvreux-de Virieu or Cholet-Dupont, have managed to thrive in recent months.

Drexel chief's new role

By George Graham in Paris

BANQUE Indosuez, the French investment banking subsidiary of the Suez group, has hired Dr Richard Sandor, considered as one of the inventors of financial futures, to head a new risk management company.

Dr Sandor is a former employee of Drexel Burnham Lambert, the beleaguered US securities house, where he was vice president and member of the executive committee in charge of international and domestic fixed income sales and trading operations.

He has a reputation in the field of interest rate risk strategies using derivative products such as futures and options.

Indosuez International Capital Markets Corp will provide risk management services to companies and institutional investors, specialising in US dollar denominated capital markets and interest rate derivatives.

The French bank already has a substantial futures market activity through its broking subsidiary, Carr Futures on Paris's Matif financial futures market as well as the Chicago Mercantile Exchange and the Chicago Board of Trade.

FT's credit ratings list

By Norma Cohen

FINANCIAL Times Business Information has published a directory of credit ratings for borrowers which incorporates ratings from 12 international rating agencies.

The directory also includes a composite index for individual borrowers.

The index assigns a numerical value to the combined credit ratings from all agencies which have evaluated the debt.

Contributors to the directory include the five major US agencies, ASPAC Australian Ratings, Canadian Bond Rating Service, Dominion Bond Rating Service, IBCA Banking Analysis, Japan Bond Research Institute, Japan Credit Rating Agency and Nippon Investors Service.

The current edition includes borrowers' ratings as of December 1989.

Updates will be issued quarterly.

Fed worries put US bonds on the defensive

By Janet Bush in New York and Andrew Freeman in London

US Treasury bonds traded in a tight range yesterday, stable after last Friday's sharp falls on strong February employment data but still on the defensive.

In late trading, short-dated maturities were quoted unchanged to ⅛ point higher while long-dated issues were as much as ¾ point higher. The Treasury's benchmark long bond was quoted ⅝ point up from Friday's close to yield 8.62 per cent.

GOVERNMENT BONDS

The much larger than expected 372,000 rise in the non-farm payroll in February — combined with a sharp upward revision in January's gains — pushed Treasuries around ¾ point lower on Friday and prompted tentative talk in financial markets about whether the US Federal Reserve may soon consider tightening monetary policy.

Top Fed officials have made it clear in recent weeks that they do not think there is a high chance of recession while acknowledging that there are still worrying inflation risks.

Economists at Griggs & Santow, the fixed income economists, noted that, although the employment figures have probably been distorted over the past two months, "averaging any combination (of data) for the last few months still produces a result which suggests that real GNP will bounce back rather sharply in the first quarter of 1990 — probably in the 2 per cent plus area."

The bond market has been carefully watching the behaviour of the Federal Funds rate which appeared to start drifting above the current 8¼ per cent target set by the Fed.

After the announcement of a small adding operation through $1.5bn in customer repurchase agreements by the Fed, Fed Funds drifted higher to 8⅜ per cent at midsession but then drifted back to 8¼ per cent in late trading.

Few in the market believe that the Fed is actually in the process of tightening but the Open Market desk appears to be somewhat willing to countenance a small drift upwards in the Fed Funds rate.

■ THE UK government bond market had a volatile session, with gilt prices opening weaker in line with the depressed currency, before recovering strongly after the release of retail sales and output price figures for February.

Thin trading on the cash market saw most prices end unchanged or a touch firmer. The benchmark 11¾ per cent gilt maturing 2003-07 was sharply lower in early trading and easily breached the 12 per cent yield level.

After the economic figures, it recovered to trade up to 98.30, against Friday's close of 98.12, yielding 11.90 per cent. The better afternoon sentiment was helped by a steadying of sterling on the foreign exchange markets.

Analysts were divided on the significance of the retail sales figure. Some said it implied a fiscally restrained budget next week and that this had caused the gilts market to bounce.

Others thought the figure indicated that despite a clear squeeze on credit, high wage settlements were responsible for boosting retail demand.

■ IN Germany, the bund market traded in a similar pattern, opening weaker in sympathy with other bond markets before recovering to end unchanged or slightly weaker on the day.

The bund future, for example, opened in weak form, falling from Friday's close of 81.25 to the day's low at 80.86. It later recovered to around 81.42, before retreating to around 81.37. Volume was low at around 23,000 contracts.

On the cash market, the 7¾ per cent bund maturing 2000 was weak at the morning fixing of 92.50 to yield 8.92 per cent, but later recovered to around 92.70, a few pfennigs down on the day.

Traders said the market lacked direction as investors waited for the East German elections next week.

■ IN Japan, the market moved lower in heavy turnover on fears that the yen would show continued weakness against the dollar. The benchmark 119 issue was yielding 7.205 per cent against Friday's close of 7.160 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-18	+04/32	13.43	13.19	12.29
		10.500	6/99	89-21	+09/32	12.40	12.17	11.32
		9.000	10/08	82-04	+20/32	11.32	11.11	10.38
US TREASURY *		8.500	02/00	99-03	+00/32	8.64	8.56	8.35
		8.500	02/20	98-23	+02/32	8.62	8.57	8.45
JAPAN	No 119	4.800	6/99	86.4809	-0.238	7.24	7.09	6.66
	No 2	5.700	3/07	90.5335	-0.070	6.81	6.78	6.30
GERMANY		7.125	12/99	88.7000	-0.050	8.89	8.83	8.44
FRANCE	BTAN	8.000	10/94	90.3833	+0.004	10.73	10.76	10.49
	OAT	8.125	5/99	86.0700	+0.140	10.17	10.22	9.94
CANADA *		9.250	12/99	89.9500	-0.500	10.95	10.69	10.05
NETHERLANDS		7.500	11/99	89.4400	-0.310	9.18	9.15	8.57
AUSTRALIA		12.000	7/99	92.4905	-0.307	13.42	13.71	12.87

London closing, *denotes New York closing session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

US bank credit downgradings hit FRN market

By Norma Cohen

DOWNGRADINGS of several US regional banks over the weekend by leading credit rating agencies gave a further push to prices in the already troubled floating-rate note market where subordinated issues of US banks remain a significant presence.

INTERNATIONAL BONDS

The price slide in FRNs has been compounded by the recent retreat by several securities firms from the sector.

Dealers said the winding down of Drexel Burnham Lambert's floating-rate note portfolio, which included a number of illiquid issues, has been weighing on prices.

On Friday, after the close of London trading, Moody's Investors service downgraded the debt of two Florida-based banks, Barnet Bank and Southeast Bank, while Standard & Poor's Corp downgraded the senior debt of Bank of Boston. The moves compounded the fears of investors already jittery about regional banks' exposure to highly leveraged loans and real estate. Bank of Boston's subordinated floating rate notes, for instance, have fallen about 22 points in less than six months. Yesterday, the bonds were quoted at 75 to 78 against a par issue price.

Also posting sharp losses yesterday were Marine Midland's floating rate notes due 2009 which fell two points to be quoted at a bid/offered spread of 78/83, offering investors an effective yield of 269 basis points over Libor. Traders said that Japanese investors in particular have been sellers of subordinated US bank names ahead of their year-end.

The sole new issues in London consisted of two callable deals, denominated in dollars, which are targeted at small groups of Japanese investors. Mitsui Bank of Canada issued a $50m 10-year deal, callable after two years, which carries a coupon of 10 per cent and a price of 102. Dai-Ichi Kangyo Bank Nederland issued a $70m 10-year Eurobond, callable after five years, with identical coupon and pricing.

Meanwhile, a floating-rate note emerged from Frankfurt, this one a DM200m seven-year offering for Finance for Danish Industry via Commerzbank. The issue pays ⅛ over six-month Libor and met a lukewarm reception after launch. The issue was seen trading outside underwriting fees, quoted by the lead manager at 99.78 per cent bid.

In Switzerland, four new issues emerged, of which three were West German banks. The supply of new paper, on top of the three West German banks which came to market last week, weighed on prices. Of the deals yesterday, WestLB Finance's SFr100m five-year deal offered the most generous coupon of 7⅝ per cent. Its price, at 101¾ offset the yield. It closed yesterday outside fees to co-managers at less two bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Finance for Danish Ind.(a)‡◆	200	⅛	100	1997	15/7½bp	Commerzbank
SWISS FRANCS						
World Bank(b)★★◆	100	7⅛	101	1995	1⅝	SBC
LB Schleswig-Holstein(Lux)◆	100	7½	101½	1995	1⅝	UBS
WestLB Finance(b)◆	100	7⅝	101¾	1995	1⅝	Credit Suisse
Bayerische Vereinsbank(b)◆	100	7½	101¼	1995	1⅝	Wirtschafts-und Privatbk
YEN						
Mitsui Real Estate Dev.(b)◆	20bn	7⅛	101½	1994	1⅝/1⅛	Nomura Int.
Interfinance Cr.National(c)◆	5bn	8	101½	1993	1½/1	New Japan Securities
US DOLLARS						
Dai-Ichi Kangyo Bk Ned.(d)◆	70	10	102	2001	2/1⅛	Morgan Stanley Int.
Mitsui Bank of Canada(e)◆	50	10	102	2000	2/1⅛	Mitsui Finance Int.

★★Private placement. ‡Floating rate notes. ◆Final terms. a) ⅛ over 6-month Libor. Non-callable. b) Non-callable. c) Redemption linked to Y/$ exchange rate. d) Call at par from March 1995. e) Call March 1992.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Monday March 12 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Mar 9 Index No.	Thu Mar 8 Index No.	Wed Mar 7 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (202)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Engineering-Aerospace (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Engineering-General (43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (177)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (103)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (482)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (114)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Overseas Traders (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (687)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Year ago
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Opening index 2216.7; 10 am 2223.4; 11 am 2224.9; Noon 2224.2; 1 pm 2223.5; 2 pm 2224.0; 3 pm 2221.0; 3.30 pm 2222.7; 4 pm 2222.1 [illegible]
CONSTITUENT CHANGES (5/3/90): Pergamon AGB (32) has been deleted and replaced by Perkins Foods (25).

FIXED INTEREST

PRICE INDICES	Mon Mar 12	Day's change %	Fri Mar 9	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	112.96	-0.12	113.10	-	2.57
2 5-15 years	118.03	+0.25	117.74	-	2.47
3 Over 15 years	120.39	+0.62	120.46	0.81	4.16
4 Irredeemables	139.24	+0.51	138.54	-	1.51
5 All stocks	118.20	+0.17	118.10	0.11	2.73
Index-Linked					
6 Up to 5 years	139.67	+0.03	139.64	-	0.94
7 Over 5 years	132.08	-0.02	132.35	0.25	1.05
8 All stocks	132.54	-0.02	132.79	0.23	1.04
9 Debentures & Loans	98.46	-	98.69	0.23	2.35
10 Preference	76.84	-0.53	77.56	0.32	1.49

AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 12	Fri Mar 9	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.58	11.54	9.20
2	15 years	11.33	11.29	8.97
3	25 years	11.04	11.02	[illegible]
4 Medium Coupons	5 years	12.89	12.86	10.34
5	15 years	11.71	11.79	9.43
6	25 years	11.20	11.37	9.00
7 High Coupons	5 years	12.99	12.97	10.46
8	15 years	12.00	12.07	9.65
9	25 years	11.51	11.61	9.19
10 Irredeemables		11.14	11.20	8.70
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.71	4.71	3.28
12 Inflation rate 5%	Over 5 yrs.	4.12	4.11	3.44
13 Inflation rate 10%	Up to 5yrs.	3.80	3.80	2.45
14 Inflation rate 10%	Over 5 yrs.	3.95	3.95	3.29
15 Debs & Loans	5 years	13.93	13.80	12.11
16	15 years	13.41	13.14	11.31
17	25 years	13.20	13.13	10.72
18 Preference		12.00	11.90	10.01

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	44	42	11
Corporations, Dominion and Foreign Bonds	6	1	19
Industrials	258	[illegible]	866
Financial and Properties	123	205	377
Oils	29	23	39
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings March 5
● Last Dealings March 16
● Last Declarations June 7
● For settlement June 18

For rate indications see end of London Share Service

Calls in Hughes Food, Astra Pet., Midsummer Leis., Kell Energy, Coarwell, Control Sec., Robertson Group, Gaelic Res., Stakis, Lowndes Queensway, Next and Norex. Puts in Blacks Leis. and Body Shop. Put and call in Aquascutum A.

LONDON TRADED OPTIONS

DERIVATIVES traders took their cue from the underlying market yesterday, which moved lower in thin dealing. One of the main features in the stock market, the placing of a large block of BP shares, prompted activity in traded options.

Total market turnover amounted to 20,744 contracts, compared with 32,006 on Friday. Yesterday's total was divided between 8,868 calls and 11,876 puts. The FT-SE 100 index options were the busiest, trading 4,650, of which 1,030 were calls and 3,620 were puts. On Friday, 5,616 lots were traded.

The market got off to a brisk start with sellers of FT-SE puts in evidence and this gave a boost to the underlying index. These transactions were hedged in the futures market. The March FT-SE futures contract moved from Friday's 8 point discount to a 3 point premium on buying in a thin market. The main feature was switching from the March contract into June.

The placing of over 11m shares in BP generated interest in the BP contract. A total of 1,981 lots changed hands, equivalent to 1.9m shares. Buyers of the April 300 calls and sellers of the July 330 calls were noted. Yesterday's total was made up of 1,366 calls and 615 puts. The July 330 call series the busiest and traded 600 lots. On the stock market, BP finished 3 lower at 336p, having traded 23m.

GEC was the second busiest option, trading 1,128 contracts. This was divided between 826 calls and 298 puts. The May 240 call series was the busiest and traded 425. Among the larger deals, a buyer of the May 240 calls was reported.

On the underlying market, GEC was unchanged at 206p.

Among the other stock options, STC was boosted by a seller of the July 300 calls and the July 240 puts. Thames Water was also active, helped by the sale of 500 March 140 calls at 2½p, while an investor bought and sold 600 RTZ puts. In addition, 600 Grand Metropolitan puts were bought.

[illegible]

Weaker UK road haulage side puts TDG into reverse

By Clare Pearson

TRANSPORT Development Group yesterday announced a £5.6m fall to £41.51m in pre-tax profits for 1989 reflecting a much weaker contribution from UK road haulage operations.

UK transport operating profits fell by nearly 40 per cent to £7.66m (£12.75m) within an overall fall in UK operating profits to £27.61m (£31.59m), as stated on a like-for-like basis.

Sir James Duncan, chairman, warned a year ago that conditions were worsening in the home transport market: a prediction amply fulfilled by the current downturn, which was enough to offset better results both from UK storage and plant hire operations.

The sale early in the year of Square Grip, the steel reinforcement group, also depressed actual operating profits, which stood at £46.17m (£55.14m).

The contribution from businesses sold was £1.15m (£9.16m), although this was partially offset by a fall in interest payable to £4.65m (£8.1m) following the £59m disposal.

Earnings per share fell to 19.2p (21.4p). The final dividend is maintained at 6.5p making a same-again full-year payment of 9.5p. Sir James said this was in line with TDG's strong financial position. Gearing stood at 16.9 per cent at the year-end, down from 36.5 per cent.

Transport operations overseas last year were markedly more robust than in the UK. *This helped the contribution from all continuing European businesses to hold more or less steady at £10.14m (£10.39m).* That from the US rose to £3.89m (£3.46m) and from Australia to £3.38m (£2.56m).

However, Sir James warned that the cushion provided by non-UK businesses might be removed in 1990 as current profits were not reaching last year's levels.

Higher fuel prices in the US and a competitive squeeze on margins in the European transport operations were making themselves felt.

UK profits, however, were ahead of last year. "I think our operators are quite optimistic at the moment, but it must be remembered the order book does not stretch out very far," he said.

Last year, the end of a long decline in profits from cold storage helped storage operations in the UK achieve an operating contribution of £14.33m (£13.94m).

Plant hire made £5.62m (£4.9m), which TDG said came despite the slowdown in house-building and slow release of expenditure on roads.

European operating profits broke down as to £8.52m (£8.75m) for transport, £1.29m (£1.28m) for storage, and £330,000 (£417,000) for plant hire.

TDG said the full benefits of released resources from the sale of Square Grip would only accrue in the coming years.

See Lex

Earnings standstill at Emess

By Clay Harris, Consumer Industries Editor

EARNINGS GROWTH came to a virtual halt last year at Emess, the lighting and electrical accessories group.

A small but notable factor in the slowdown was a £500,000 write-off, taken above the line, of debts owed by Campeau Corporation's US department store chains, which filed for Chapter 11 bankruptcy protection in January.

Basic earnings per share were unchanged at 9.4p and fully diluted, crept up only to 8.7p (8.6p). A proposed final dividend of 2.2p raises the total to 3.4p (2.86p).

Emess found itself on the earnings plateau in spite of a 24 per cent advance in pre-tax profits to £18.7m (£15.1m) and a 45 per cent growth in turnover to £146.9m (£103.5m).

Mr Michael Meyer, chairman, blamed the result on the costs of the "strategic acquisitions" of JSB Electrical, the UK emergency lighting company, and an increased stake in Brillantleuchten, the West German light fittings maker.

However, Marlin, Emess's main commercial fittings arm, suffered production difficulties which limited its ability to supply a market which was still relatively healthy in 1990.

By contrast, Tenby, the electrical accessories subsidiary, increased market share in spite of the weak building market.

Only 45 per cent of Emess's sales arise in Britain. The rest of Europe accounts for 30 per cent, North America for 20 per cent and Asia/Pacific for 5 per cent.

Mr Meyer, who has seen Emess shares lose ground against the market for more than a year, was upbeat yesterday. "It's important to stress that we've been here before." Emess had seen a similar slowdown in earnings growth in 1981-83 but eps has never fallen since he took control in 1976.

Emess closed four UK factories and one in the US, leading to an extraordinary loss of £3.3m (£0.1m profit).

● COMMENT

Emess had been out of favour for some time, but the last straw was its decision in December to buy full ownership of Royal Sovereign Group, the graphics and stationery supplier. Even the persuasive Michael Meyer could not make a credible case for this, so cynics were tempted to conclude that he had found a short-term bridge over an earnings swamp. The right offer would probably ease his grasp without much ado. But what of the total picture? There is no doubt that 1990 will be Emess's toughest year for many, but it is also clear that Meyer has the right pieces in place and has taken pre-emptive action to cut costs. On pre-tax profits of £22m, the prospective fully diluted p/e would be 8.3 at yesterday's share price of 75p. This must be undervalued on a medium-term view, especially *as the historic yield is 8 per* cent and Emess is privately committed to minimum dividend growth of 10 to 15 per cent. The question is whether to buy now and see the shares move sideways for six months or more, or wait and be caught in a market short of stock when the shares start to move.

Astec (BSR) picks up in second half

By Vanessa Houlder

Astec (BSR), the electronics group, yesterday announced a fall in 1989 profits from £6.2m to £5.7m.

The share price rose 1p to 39p.

The result, which followed a first half profit of just £20,000, came in a year when the company acquired five electronic businesses from Emerson Electric, the US electricals group, in return for a 45 per cent stake.

Directors said that the result began to reflect actions taken in the second half to improve efficiency, reduce costs and rationalise plant.

Gross borrowings were reduced from £62.8m in May to £32.2m reflecting the sale of Swan Housewares and improvements in profitability and asset management.

Sales increased from £206.8m to £302.5m. The result included eight months of the Emerson businesses and six months of Swan Housewares.

An extraordinary item of £4.9m was charged to provide for a loss on disposal of businesses, the cost of plant closures and *the write-down of investments targetted for disposal.*

Earnings per share fell from 3.34p to 1.74p. A final dividend of 2.35p is recommended, making an unchanged total of 3.06p for the year.

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Reckitt & Colman plc

(Incorporated in England No. 527217)

Rights issue of £200,832,954 9.5 per cent.
Convertible Capital Bonds 2005 of Reckitt & Colman Capital Finance Limited
at an issue price of 100p each
(payable as to 25p per Bond on acceptance)

Reckitt & Colman Capital Finance Limited (the "Issuer") is a wholly-owned subsidiary of Reckitt & Colman plc (the "Company") incorporated in Jersey with registration number 46600. The Convertible Capital Bonds are guaranteed on a subordinated basis by the Company and convertible into 2 per cent. exchangeable redeemable preference shares of 1p each ("Preference Shares") of the Issuer, guaranteed on a subordinated basis by the Company and exchangeable for new ordinary shares of 25p each in the Company.

Listing particulars relating to the Convertible Capital Bonds and the Preference Shares are available in the new issue cards circulated in the Extel statistical services and may be obtained during usual business hours up to and including 14th March, 1990 from the Company Announcements Office, 46-50 Finsbury Square, London, EC2A 1DB and during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 26th March, 1990 from Reckitt & Colman plc, One Burlington Lane, London, W4 2RW, from Reckitt & Colman Capital Finance Limited, 18 Grenville Street, St. Helier, Jersey, Channel Islands and from:

S.G.Warburg & Co. Ltd., 2 Finsbury Avenue, London EC2M 2PA	and	Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.

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13th March, 1990

Ricardo merger with SAC beats First Tech

By Nikki Tait

RICARDO, the small but prestigious designer of engines and transmissions, yesterday won the final round in its fight against its former predator First Technology.

By a relatively narrow margin, the company's shareholders voted in favour of a merger between Ricardo and SAC International, a Bristol-based engineering services company.

The deal is being effected by a recommended all-paper bid from Ricardo for the slightly larger SAC group.

First Technology, which bid unsuccessfully for Ricardo last year and kept a shareholding of nearly 15 per cent, had opposed the deal.

In an overall voting turnout close to 70 per cent, shareholders speaking for 6.64m Ricardo shares voted in favour of the merger and 4.51m against.

Before claiming its victory, Ricardo had to face a steady inquisition from Dr Fred Westlake, First Technology's chief executive.

Looking at the the deal as a shareholder, Dr Westlake said he was "not happy" and reeled off a list of objections.

Ricardo was ceding control without a bid premium to a company with a bumpy track record, he said; there would be asset and earnings dilution; the company would move from a "healthy" cash position to a net balance at best.

Ricardo's chairman, Dr Doug Taylor, rode to the merger's defence.

Acknowledging the asset dilution, he stressed that the deal should be seen as a genuine merger with long-term commercial benefits. Ricardo, he added, had done thorough due diligence on SAC and was satisfied that its earlier acquisitions had been digested and that managerial controls were adequate.

That did not stop Dr Westlake continuing to press his objections, in particular querying why fees of over £1m were payable on the £24m SAC bid.

Only one other shareholder spoke out, pointing wistfully to the bid premium which crept into the Ricardo price last week when it seemed possible that First Technology might make an offer for the company and before the Takeover Panel's intervention.

When the results of the poll were announced, Ricardo acknowledged that [illegible] the half-dozen institutions which hold stakes of about 4 to 6 per cent had not been supportive. "It was a difficult proposition for people in the City," remarked Dr Taylor, charitably. "This is a long-term thing, not a short-term move."

Dr Westlake, meanwhile, declined to be drawn on the future of his stake in the merged group, which will be diluted to about 7 per cent.

But he confirmed that there was no intention to pursue the merged group, and that any acquisitions would be sought elsewhere.

"I wouldn't want anyone to think Ricardo was going to be my House of Fraser," he commented, putting to rest the year-old struggle.

Cambridge Water marginally ahead

The Cambridge Water Company, the statutory water supplier to the Cambridge area, reported a surplus before tax marginally ahead at £1.08m for the year to December 31.

The increase from £1.03m was struck on turnover which rose to £8.83m (£7.32m). Tax took £63,000 (£169,000) and there was an extraordinary item of £103,000 (£194,000).

The statutory final dividend on the ordinary stock is 1.75p to make 3.5p for the year. The amount transferred to reserves will be less this time at £521,000 (£572,000).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Allwoods, BM Group, Community Hospitals, Everest Foods, Logica, Precious Metals Trust, Tay Homes.

Finals- Candover Investments, Doeflex, Ferrari, Glynwed International, Hong Kong & Shanghai Banking, Kalon, Lancaster, Pelma, Secure Trust, Simon Engineering, Trade Indemnity, Wimpey (George).

FUTURE DATES

Interims-	
Bellwinch	Mar. 15
IFICO	Mar. 14
Silentnight	Apr. 10
Finals-	
Bluebird Toys	Mar. 16
Boddington	Mar. 28
Crowther (John Edward)	Mar. 16
Filofax	Apr. 6
Johnson Group Cleaners	Mar. 21
Stag Furniture	Mar. 27
Third Mile Investment	Mar. 15
Thornton Asian Emerg Mkts	Mar. 26
Wilson (Connolly)	Apr. 4

SUPER ALPHA
US$115,000,000
Secured Floating Rate Notes due 1995

Interest Rate 9.35563% p.a. Interest Period March 9, 1990 to September 10, 1990. Interest Payable per US$10,000 Note US$478.15.

March 13, 1990, London
By Citibank, N.A., (CSSI Dept.), Agent Bank

Securities and money broking help MAI to 20% rise

By Jane Fuller

AN IMPROVED performance from money and securities broking helped MAI to increase pre-tax profit by 20 per cent to £38.35m for the six months to December 31.

In the wake of last year's acquisitions, which included the MIL and NOP in market research, there was an interest charge of £3m, against a small income last time. Turnover advanced 27 per cent to £194.56m.

The group derived 59 per cent of sales and 54 per cent of trading profit from its money and securities broking division. Mr Clive Hollick, managing director, said the £5m profit jump to £17m had been fed by buoyancy in foreign exchange markets and US government bonds, and a recovery in UK gilts. But the corporate bond market had continued to be lacklustre.

Clive Hollick: buoyant foreign exchange markets

In line with other large full-service brokers, the group benefited from a polarisation of the money broking market.

Retail finance contributed trading profits of £4.5m. Mr Hollick said Wagon, the instalment credit company, had seen a decline in volume and an increase in bad debt. It had not been able to pass on all of the increase in the cost of money.

On the media side, the results were complicated by the October merger of this division with the outdoor advertising and free newspaper wing of Havas, of France, to create Avenir Havas Media, in which MAI owns 32 per cent.

As Avenir was an associate holding for two months, the division's turnover was reduced to £27.1m (£35.8m), while profit grew from £6.7m to £7.9m. The merger drove net assets up from about £200m to about £300m; net borrowings were less than 50m.

The main adverse change in margins came in the information division, where sales more than quadrupled to £17.3m, *while profit grew by 50 per* cent to £1.85m. Mr Hollick said margins had been impeded by *NOP's loss-making US subsidiary* and by Pinpoint (market information linked to the Ordnance Survey) which had yet to make money.

Earnings per share, held back by a £2.5m increase in tax to £10.77m, rose to 5.2p (4.6p). The interim dividend goes up to 1.4p (1.2p).

● COMMENT

MAI has the twin advantages of a recovery in its broking core and the balance sheet strength to continue to build up other parts of the business. While some of its sales, notably the Wagon credit concern, are vulnerable to UK squeezes, it can point to the fact that the majority of its profit is derived from overseas. It is also getting into some interesting new areas, of which Pinpoint is an example, although that is tiny in comparison with the established activities where the swings and roundabouts suggest that growth will be steady rather than dramatic. A full-year profit forecast of about £64m gives a prospective multiple of less than 10, which looks reasonable value.

Runciman expansion

WALTER RUNCIMAN is building up its freight services division, Currie Line, with the purchase of Cardiff International for an initial £2m, writes Clare Pearson.

A further maximum £1.8m may be payable depending on the extent by which pre-tax profits exceed £600,000 in the years 1990 and 1991.

Cardiff International operates a TIR haulage business from two main bases in south Wales and Zeebrugge, Belgium. It also has a warehousing and forwarding business in both countries. Operating profits for the year to end-August 1989 were £296,000.

Runciman said the acquisition will complement Currie Line's container services between Scotland, northern and eastern England and the near Continent.

This advertisement is issued in compliance with the requirements of the Council of the International Stock Exchange.

WERELDHAVE N.V.

(Investment company with variable capital, incorporated in The Netherlands)
23 Nassaulaan, 2514 JT The Hague, The Netherlands

Shareholders' meeting

Notice is hereby given that the Annual General Meeting of Shareholders of the Company will be held at the Promenade Hotel, Van Stolkweg 1, The Hague, The Netherlands, at 11.00 a.m. on Wednesday, 28th March 1990.

The subjects on the Agenda are: Annual Report of the Board of Management; Approval of the Accounts for 1989, including the proposed dividend of Dfl. 8.– in cash, together with a 2% bonus issue to be charged to the tax-exempt share premium reserve; Appointment of Members of the Supervisory Board and of a Member of the Board of Management; Questions before closure of the meeting.

The Agenda for the meeting and the documents containing the information with respect to the persons, proposed by the Meeting of Priority Shareholders for the appointment as Member of the Supervisory Board as required by Article 142, paragraph 3, Book 2 of the Civil Code, and for the appointment as Member of the Board of Management are, as from today, available free of charge to shareholders and usufructuaries with voting rights at the Company's Offices, 23 Nassaulaan, The Hague, and at the offices of the banks mentioned in the paragraph 'Shareholders' Rights' below.

Shareholders' Rights

Shareholders and usufructuaries with voting rights who wish to attend the meeting must deposit their shares or deposit receipts from a member of the Vereniging voor de Effectenhandel ("Association of Members of the Amsterdam Stock Exchange") on or before 23rd March 1990 at the Offices of the Company, 23 Nassaulaan, The Hague or at the offices of Pierson, Heldring & Pierson N.V., Kempen & Co. N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Amsterdam-Rotterdam Bank N.V., Algemene Bank Nederland N.V., Bank Mees & Hope NV and Credit Lyonnais Bank Nederland N.V. at their respective branches in Amsterdam, The Hague, Rotterdam and Utrecht, or at the offices of the Generale Bank, Bank Brussel Lambert and Kredietbank in Belgium or of Morgan Grenfell & Co. Limited, New Issue Department, 72 London Wall, London EC2M 5NL, where arrangements may also be made for voting by proxy.

Annual Report and Accounts 1989

Copies of the Annual Report and Accounts (translated into English) may be obtained in the United Kingdom from Morgan Grenfell & Co. Limited, New Issue Department, 72 London Wall, London EC2M 5NL or from Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN, after 12th March 1990.

The Hague, 13th March, 1990

By order of the Board of Management

INDUSTRIVAERDEN GROUP

ACCOUNTS REPORT

For the 1989 financial year

- Net equity value increased by 17 per cent to SEK 258M (221) per stock unit and CPN.
- The value of the listed stock portfolio increased by 25 per cent (general index +24 per cent).
- Increase in dividend to SEK 6 per stock unit - an increase of 20 per cent - recommended. CPN interest will thus be SEK 6.90.

The year's results

Group earnings after financial income and expenses and minority interests but before CPN interest was SEK 753M (846).

The year's earnings from Stock Management was SEK 451M (555). The result has then been charged with increased interest expenses of SEK 60M. In respect of acquisitions of shares during the year. Profit on sales of listed stock was included at SEK 368M (407).

Earnings from the Group's Industrial, Trading and Real Estate Operations amounted to SEK 302M (291) after financial income and expenses and minority interests. The result was affected by higher than anticipated financing costs for acquisitions of companies.

Capital gains on the sale of stocks in subsidiaries represented SEK 290M (62).

Group earnings before appropriations and taxes were SEK 966M (932).

Listed stock portfolio

In 1989, the increase in the value of the listed stock portfolio, adjusted for acquisitions and sales, was 25 per cent (general index +24 per cent). On the balance sheet date, the market value amounted to SEK 8,462M (6,399). Dividend income from the listed stock portfolio was SEK 162M (124).

At the year end, the undisclosed reserve amounted to SEK 5,543M, an increase during the year of SEK 1,053M.

In the first six months, the year's restructuring of the portfolio involved a net investment of SEK 465M, whereas the second half of the year provided net sales of SEK 482M. Thus, listed stocks of SEK 17M net (50) were sold.

The biggest change in the composition of the stock portfolio was the sale of the stockholding in Nissan which was carried out in December.

Industrial Operations

The Group's industrial and trading operations include PLM (wholly owned, 1988 75 per cent) and Dacke (unchanged share of earnings in 1989, i.e. 35 per cent).

The PLM Group's earnings after financial items are reported at SEK 311M (297), equivalent to a return on capital employed of 16 per cent (17).

PLM reports an increase in operating earnings after depreciation of 33 per cent including earnings of newly-acquired companies. Net financial income and expenses deteriorated as a result of the acquisitions, which were a charge to PLM's earnings for the year.

The earnings of the Dacke Group were SEK 165M (181) after financial income and expenses. Return on capital employed amounted to 18 per cent (22) and earnings per stock unit (after 40 and 50 per cent standard tax, respectively) amounted to SEK 10.15 (9.25).

Of Dacke's operations, primarily Industrial Trading and Hydraulics reported increased earnings, whereas Plastics Machinery was hit by a fall in the earnings in some of the West German companies.

In the reported earnings of the industrial and trading operations of the Industrivaerden Group the financing cost of the stockholding in Dacke is included.

In December 1989, Industrivaerden made an offer to the other owners to acquire all the shares an convertibles in Dacke. On January 29, 1990, Industrivaerden had acquired more than 90 per cent of the capital stock and voting rights in the company and thus proceeded with the offer and is requesting compulsory redemption of the outstanding stock units.

PLM and Dacke are also submitting their own account reports.

Real Estate Management

Following an independent valuation, the real estate holding managed by Fastighets AB Fundament had an estimated market value for around SEK 1,900M, equivalent to an increase in value during the year of 18 per cent. During the year, rent income increased to SEK 101M (94). Earnings after financial income and expenses amounted to SEK 18M (32).

Sales of Subsidiaries

Sales of subsidiaries during the year resulted capital gains of SEK 290M, mainly emanating from the sales of [illegible], [illegible] and [illegible] (PLM) as well as the BodaScand Group (Dacke).

Parent Company

The Parent Company's earnings after interest income and expenses and management expenses amount to SEK 206M (225). Net earnings after CPN interest and capital gains were SEK 301M (352).

Net equity value

At the year end, the net equity value (after full dilution) is calculated at SEK 258 (221) per stock unit and CPN, an increase of 17 per cent. On February 28, the net equity value was calculated at SEK 250 per stock unit and CPN.

Proposed Dividend

The Board of Directors recommends a dividend for 1989 of SEK 6 (5) per stock unit, an increase of 20 per cent. The proposed dividend means that the interest per CPN for 1989 will be SEK 6.90 (5.75). For this, SEK 211M is required, for the dividend and SEK 70M for the CPN interest.

Annual General Meeting

The Annual General Meeting will be held in Berwaldhallen, Stockholm, on Monday May 21, 1990, at 5 pm.

Group results SEK M	1989	1988
Stock Management		
Dividends on listed stock	162	124
Profit on sales of stock	368	407
Other income	4	39
Financial and administration and management expenses	-83	-15
Earnings after financial items	451	555
Industrial, Trading and Real Estate Operations		
Sales and other operating income	8,453	7,175
Operating expenses	-7,333	-6,253
Operating earnings before depreciation	1,120	922
Scheduled depreciation	-427	-334
Financial income and expenses	[illegible]	-92
Minority interests	-125	-205
Earnings after financial items and minority interests	302	291
Earnings after financial items and minority interests	753	846
Extraordinary income and expenses, net	286	125
Group earnings before CPN interest	1,039	971
CPN interest	-73	[illegible]
Group earnings before appropriations and taxes	966	932

Stockholm, March 5, 1990

AB INDUSTRIVAERDEN

Board of Directors

CORRECTION NOTICE

Royal Trustco Limited
U.S. $150,000,000
Floating Rate Subordinated Capital Debentures Due 2085

Notice is hereby given that the rate of interest for the six month period 12 March 1990 to 12 September 1990 has been fixed at 8.7125 per cent. The amount payable per U.S. $10,000 Note on 12 September 1990 will be U.S. $445.31 against Coupon No. 8. The amount payable per U.S. $100,000 Note will be U.S. $4453.06 against Coupon No.8.

Bank of Montreal as Agent

UK COMPANY NEWS

Interest rate squeeze on UK volumes and margins offset by overseas performance

European benefits boost Vita to £48m

By John Thornhill

BRITISH VITA, the Manchester-based polymer, fibre and foam group, lifted pre-tax profits by 29 per cent to £48.31m in 1989 as it continued to benefit from an uplift in European activities.

Turnover rose 30 per cent to £589.61m (£452.65m) although almost a third of this increase came from acquisitions.

Mr Bob McGee, chairman, said some of the group's UK markets were currently being affected by high interest rates, but Vita's presence in strong European economies offered it continuing opportunities for improvement. About 60 per cent of Vita's business now derived from continental Europe.

Mr Rod Sellers, Vita's finance director, said the businesses in the northern European countries had provided the core of the profits growth.

During the year, Vita spent £30m on capital expenditure, about twice as much as in the previous year. "We have to keep the competitive edge and it's right to invest in new plant," Mr Sellers said.

Gearing stood at 21 per cent at the year end. The group said this low level of debt gave it scope for further acquisitive expansion although this was likely to be in the form of small "bolt-on" acquisitions rather than major takeover deals.

In September, Vita took a 32 per cent stake in Spartech, a US polymer company, and although it did not contribute to these results it was said to be moving "in the right direction."

The final dividend is 4.6p to lift the total to 8.8p (6.5p), an increase of 35 per cent. Earnings per share grew by 30 per cent to 26p (20p). The company is also making a 1-for-2 scrip issue.

Mr Sellers is to become chief executive this July although he will continue as finance director. Mr McGee, who has been chief executive for the past 15 years, will continue as executive chairman.

Trevor Humphries

From left to right: Rod Sellers, finance director, Bob McGee, chairman and chief executive and Duncan Lawton, deputy chairman: scope for further acquisitions

● COMMENT

This was another encouraging performance from Vita slightly ahead of what most analysts were forecasting, but the ominous noises the company emitted about the state of some of its UK markets scared some and resulted in the shares slipping 4p to 273p. There is little doubt that trade is stiffening in the UK and that sales volumes and profit margins are being squeezed. In spite of the group's strong overseas presence, the UK still accounts for about 35 per cent of business and this will heavily dampen this year's prospects. The good news is that market share and margins are still there to be chased on the Continent and this should help push Vita ahead, lifting pre-tax profits to about the £52m mark. The resulting prospective multiple of about 10 is probably a fair evaluation of the outlook in the short term as the shares are likely to look dull in the coming months. But further out, the shares may pick up speed as the growing European operations and US investment are seen to feed through more strongly.

Lowe bucks UK ad sector trend with 30% increase to £20.2m

By Andrew Hill

LOWE GROUP yesterday demonstrated it had escaped the general malaise in the UK advertising industry when it announced a 30 per cent increase in pre-tax profits to £20.23m last year, compared with £15.6m in 1988.

Lowe, formerly Lowe Howard-Spink & Bell, earns much of its income outside the UK, which is experiencing a downturn in business.

Turnover was up from £404.27m to £524.07m. Earnings rose to 45.05p (38.02p) per share, and a final dividend of 9.3p is proposed to make 14p (12p) for the year.

Mr Frank Lowe, chairman, said yesterday that Lowe was not heavily exposed to consumer or retail business, which have suffered recently. The group's two clients in those sectors – Vauxhall, the motor manufacturer, and the Tesco supermarket chain – were both continuing to spend heavily on advertising, he added.

"As far as we are concerned, we look forward to a very promising 1990 – the figures I have in front of me look good."

Mr Lowe said he believed stringent financial controls had strengthened the company against recession.

"We don't take people's forecasts on trust and then find out they were wrong," he said.

Last year Lowe sold control of its Lowe Bell Communications public relations subsidiary to a management buy-out team lead by Mr Tim Bell, former deputy chairman of the group. The sale realised an extraordinary profit of £2.69m for Lowe, after taking into account the acquisition of a 24.5 per cent stake in Chime Communications.

Mr Lowe said the cash on the balance sheet would enable the company to grow through small acquisitions, if necessary. He said the group wanted to expand further in Continental Europe, moving into Switzerland and Portugal as well as strengthening its operations in France and the Netherlands.

● COMMENT

Lowe's results were bound to shine yesterday. At the same time, Yellowhammer, another agency, was warning of a drastic fall in 1989-90 profits, following injudicious expansion overseas, and the Advertising Association was forecasting a 3 per cent decline in UK advertising revenue this year in real terms. But the sheen on Lowe's figures is genuine, not just relatively glossy. The group's geographical spread – including Lowe Marschalk, the New York agency brought into the fold last year – should insure it against sluggishness at home, and it has plenty of cash to expand cautiously in Continental Europe. Income from existing clients, says Lowe, should run ahead of inflation in Europe and the US this year. Analysts are looking for at least £25m before tax, which would put the shares – up 5p at 393p yesterday – on an unjustly low prospective p/e of less than 8.

Yellowhammer warns of losses

By Andrew Hill

YELLOWHAMMER, once regarded as one of the UK's most stable advertising and marketing agencies, warned yesterday it was likely to report a loss of £3.6m before tax in the year to March 31.

The group, which made £2.7m before tax in 1988-89, has been hit by high interest rates and problems at European subsidiaries set up in the last 18 months. Its new UK agency, Generator Marketing, has also performed poorly.

As recently as last summer, analysts were forecasting profits of some £3.8m for the group in 1989-90. But interest charges alone have risen to nearly £1m during the year, compared with £232,000 in 1988-89, and rationalisation – including the cost of 40 redundancies out of the staff of 250 – will cost about £700,000, which has been taken into account in the profits warning.

Mr Jon Summerill, Yellowhammer's chairman, said yesterday: "We ran before we could walk in Europe, we invested too much money and we didn't control the destiny of, in effect, 17 businesses over a relatively short period."

Mr Summerill said the group was no longer exposed financially in Spain. Yellowhammer will maintain links with the Madrid office it opened last year, and will try to cut costs at its Paris branch.

"The problem in France was that we allowed expenditure to run riot compared with income: that's painfully obvious from the figures," said Mr Summerill.

The problems first emerged in December, when Yellowhammer announced it had lost £150,000 in the first half of the year, against a profit of £911,000 in the equivalent period. However, Mr Summerill said the group's lead clients, which include Fiat, Barclays and the Government, were all spending more than in the previous year. He added that the group had won £8.5m of new fee income since the beginning of February.

"A couple of potential clients have expressed a desire to know what the position is, but it certainly hasn't prevented them from moving us onto the shortlist for campaigns," said the chairman.

As part of its reaction to the problems, Yellowhammer has sold two companies involved in corporate video recording and artists' representation, as well as surplus property and other assets. It closed its financial advertising subsidiary in November at an extraordinary cost of £192,000.

The group said yesterday that recent discussions with its bankers had been positive and it was confident that it had the necessary support to meet working capital requirements for 1990-91, when directors expect the group to move back into profit.

● WCRS Group, the advertising, media and marketing company, is to change its name to Aegis Group, following a restructuring last year, which included the purchase of Carat International, the European media buying and planning company.

Hartwell holds off Jameel bid

By John Thornhill

HARTWELL, the Oxford-based motor group, has escaped the clutches of Jameel, although probably only until 1992.

The Saudi Arabian Jameel yesterday received acceptances for only 42.3 per cent of Hartwell's ordinary shares at the final close of its hostile £172.4m offer, and let it lapse.

However, Jameel has already declared its offer for Hartwell's convertible preference shares unconditional and on conversion of these shares in 1992 it will gain control of over 47 per cent of Hartwell's ordinary shares. And given that under Takeover Code rules it can buy 2 per cent of Hartwell's shares in the market each year Jameel will almost certainly be able to raise its stake to above the 50 per cent level.

Nevertheless, Mr Peter Huggins, Hartwell's chairman, said he was delighted by yesterday's outcome. "We really are over the moon that we have won this battle and it is victory for the shareholders and the staff. We feel we have done the right thing in beating off this cheap attempt to get the company."

He said, however, that Hartwell was realistic about the situation and was perfectly prepared to talk to Jameel, which is by far its biggest shareholder.

"We are quite happy to go on independently but you cannot ignore someone with 40 per cent of the company. We will do the right thing for our company and we will not be bulldozed into doing the wrong thing."

Mr Rupert Carington, chairman of Oakhill through which the Jameel offer was made, said the company was reviewing its position. "But I think we should all sit down and start talking," he said.

Mr Huggins sounded as though he would be quite amenable to this idea. "I am not shutting the door in anybody's face," he said.

Hartwell's shares slid 7p yesterday to close at 149p.

Clayhithe stake

Clayhithe, the investment and property group, has paid £225,000 for a 70 per cent stake in Magnapower Group, which specialises in thermochromic liquid crystal technology for temperature measurement and display.

The remaining 30 per cent of Magnapower will be held by the existing management, who will continue to run the company.

Clayhithe has also been granted an option to acquire a further 10 per cent of the company.

Pembridge makes first disposal since DRG buy

By Vanessa Houlder

PEMBRIDGE INVESTMENTS yesterday announced its first disposal since it won control of DRG, the paper and packaging company, in a bitterly fought £697m takeover battle last November.

Pembridge has made an agreement in principle to sell Papeteries de la Couronne and Etablissements Deforge to funds advised by LBO France, the Paris-based specialist in buy-out financing. The sum involved would not be disclosed said Mr Martin Franklin, a director of Pembridge and the son of Mr Roland Franklin, the former Keyser Ullmann director who masterminded the bid.

Mr Franklin said that the sale programme was on course and he denied that bidders were failing to meet asking prices. Pembridge was not under pressure from its interest payment commitments to sell businesses, he said.

Pembridge would make an announcement in due course on its strategy to improve the packaging division, which it is keeping as its core business, he said.

Papeterie de la Couronne Group is Europe's largest envelope manufacturer with about 40 per cent of the French market and 6 per cent of the European market and sales of FFr900m (£96.8m) in 1989.

The acquisition is being made by White Knight I and White Knight II, which are advised by LBO France.

Anglo to sell three arms to pay debt from Coalite buy

By Jane Fuller

ANGLO UNITED, the solid fuel group, is selling three more businesses as part of its programme to pay off the debt taken on to buy Coalite.

Up for sale are Charrington-Hargreaves, the liquid fuel distributor, and Freedom Lubricants, for which offers are invited by April 17.

Coalite Oilex, with interests in oil and gas exploration and production, is also for sale, with a deadline of April 26.

Mr David McErlain, Anglo's chairman and chief executive, said the group had always planned to dispose of the oil and gas interests, but had now also taken a comprehensive look at liquid fuel distribution.

An important reason for deciding to get out was that the oil companies dictated the buying price.

Anglo's highly leveraged £478m takeover of Coalite last July involved £200m short-term debt.

Mr McErlain said £135m had already been repaid and the sale of the three businesses should help complete the repayment this summer, well ahead of schedule.

This would leave about £230m of core debt.

The group then plans to reduce that through further sales of peripheral businesses and property.

By the end of this year he hoped Anglo would be down to its core: solid fuel distribution and manufacture, chemicals, docks, the Falklands Islands Company and property.

Marylebone Estates rises to over £4m

Marylebone Estates increased pre-tax profits from £3.51m to £4.04m in the year to December 31.

Mr Leonard Phillips, chairman of this USM-quoted property investor and dealer, said it was Marylebone's intention to continue to develop rental income of the group and, in this respect, it had recently concluded the letting of a property in St Johns Street, London, at an annual rent of £365,000.

Mr Phillips expects to report further progress over the coming year.

After tax of £1.33m (£1.23m), earnings per share emerged at 5.44p (4.73p) basic, and 5.38p (4.67p) fully diluted. The proposed final dividend is 1.5p making a maintained total of 3p.

M&G Invest controls 15.7% of Lowndes Queensway

By Maggie Urry

M&G Investment Management announced yesterday that it controlled 15.7 per cent of the votes in Lowndes Queensway following the loss-making furniture and carpet retailer's latest rights issue.

As a result of sub-underwriting the £35m rights issue, which was taken up by only 13.9 per cent of shareholders, funds managed or advised by M&G hold 74.8m shares, 10.9 per cent of the voting shares.

However, M&G will also decide how the votes are cast on a further 33.3m shares, 4.8 per cent of the voting capital, which are held by Charterhouse Bank, the lead bank to the company.

This arrangement was made as part of the £70m refinancing fixed in January.

Charterhouse revealed last week that it held 11.8 per cent of Lowndes Queensway's shares as a result of the rights issue.

After transferring some of its votes to M&G it will be left with 7 per cent of the votes.

Aristocracy aids Brit Kidney

By Nikki Tait

THE ARISTOCRACY has ridden to the aid of the British Kidney Patients Association Investment Trust, one of the smallest if most worthy funds in the investment trust sector.

Late yesterday afternoon, the Northumberland Trust - established under the will and codicil of The Most Noble Henry George, Seventh Duke of Northumberland, who died in 1918 - announced that it would make a cash offer for the quoted fund.

The offer is pitched at 105 per cent of BKPAIT's formula asset value. In this case, the difference between fav and net asset value will probably be small, and shareholders - if they accept the offer - will probably exit at a small premium to the value of the underlying net assets.

The Northumberland Trust's aim, however, is to retain both the listing and BKPAIT's investment trust status. To the extent that acceptances top 51 per cent of the equity, these shares will be placed out.

Management of the trust will also change, switching to the fund management department of stockbrokers Cazenove, and the new investment policy will be angled towards long-term capital growth. Only about 50 per cent of the initial portfolio will be held in the UK. The dividend yield will also fall, and is expected to be about 2.5 per cent pa.

The trust will be renamed "Hotspur Investments". If the offer goes unconditional, a special dividend of 10p per share will be declared in respect of the current financial year.

The trust, whose assets are worth slightly less than £2m, was set up in late-1962, but given a seven-year life. It was, therefore, due to be wound up before the end of April.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alliance Trust ......fin	25	Apr 30	22.25	35	31
Astec (BSR) ......fin	2.35†	June 6	2.35	3.05	3.05
British Vita ......fin	4.6†	May 7	3.7	8.8	6.5
Bullers ......fin	1.5	May 18	1.5	2	2
Cornwell Parker ......int	1.6	Apr 27	1.6	-	5.2
Emess ......fin	2.2†	-	1.886*	3.4	2.857*
High-Point ......int	2.55	Apr 18	2.25	-	6.75
Hobsons Publish ......fin	7.7	May 11	7.7	10.1	10
Lilleshall ......fin	2.4†	Jun 1	1.67*	3.65	2.33*
Low & Bonar ......fin	5.85	-	4.8	8.25	7
Lowe Group ......fin	9.3†	May 11	8	14	12
MAI ......int	1.4	May 5	1.2	-	4.5
Marylebone Est § ......fin	1.5	-	1.75	3	3
Perkins Foods § ......fin	1.7†	May 15	1.2	3.1	2.5‡
R'sons W'garth ......fin	1.5†	May 21	1.2	2.5	2
Transport Dev ......fin	6.5	May 11	6.5	9.5	9.5
USDC Inv Trust ......fin	2.85	May 3	2.5	3.85	3.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 15 months.

UK COMPANY NEWS

A shot in the arm — or in the dark?

David Owen looks at the future health of B&C in the light of its recent disposals

CAN BRITISH & Commonwealth Holdings rebound? On the face of it, this would rank as one of the most astonishing corporate comebacks of the past few years. And yet, recent developments appear to have made the group's survival in recognisable form less unlikely.

First, last week's £140m disposal of Gartmore, the investment management group, together with B&C's stake in London & Strathclyde Trust, provides a significant shot in the arm. It should slash more than £20m from the company's hefty interest bill.

At about 50 times earnings, more than seven times book value and better than 2 per cent of funds under management, the price attained was towards the upper end of expectations — even if £12.3m of the total disappeared into the pockets of Gartmore's option-rich management.

The effect on the balance sheet also promises to be highly salutary. Indeed, the transaction shows a below-the-line profit over book of £115m, according to the embattled Mr John Gunn.

In addition — however involuntary the sale — it did not force the group to pull out of a key sector of its operations. In the fund management area, it retains both US-based Oppenheimer, acquired in the 1987 takeover of Mercantile House, and Stock Group of the UK.

With the recent purchase of Chase Manhattan's London-based private client stockbroking business, Stock Group's funds under management have swelled to almost £4bn. "We are still majoring in fund management," Mr Gunn said last week. "Oppenheimer is far more profitable and larger than Gartmore."

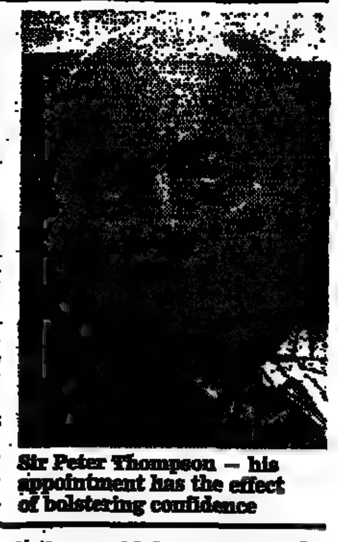
Sir Peter Thompson, outgoing head of NFC, is to take over this week as non-executive chairman of British & Commonwealth Holdings in a move viewed as an attempt to bolster confidence in the struggling financial services company, writes David Owen.

He will succeed Mr John Gunn, principal architect of the group's restructuring, who is expected to become chief executive. Mr Peter Goldie, who has been concentrating on the disposal and rationalisation programme, and Mr Rusty Ashman, finance director, seem poised to leave B&C.

The reshuffle is seen as the logical conclusion of the management shake-up effected some four months ago when Sir Peter was appointed deputy chairman. Since then, managing directors of operating companies have been reporting directly to Mr Gunn. Mr Iain Burns, meanwhile, has filled the new position of chief operating officer.

Sir Peter, who retires from NFC at the end of the year, has not been exactly chafing at the bit to assume new responsibilities. "I am certainly not looking to load up my portfolio with executive chairmanships", he said recently.

However, he is an admirer of Mr Gunn and a believer in B&C's powers of recovery. "All it wants is a mild change in the financial services climate and B&C will come back", he projects.



Sir Peter Thompson — his appointment has the effect of bolstering confidence

Sir Peter Thompson's public show of confidence in accepting the elevation to chairman would be a further positive sign.

Sir Peter has garnered respect for the unique management philosophy behind his shepherding of NFC into the private sector and its transformation into a consistently profitable company.

He is no great friend of the City, however, being among the most prominent critics of some time-honoured practices, particularly those relating to new listings. Possibly for this reason, B&C is believed to be looking for a new non-executive director with close ties to the Square Mile.

The trouble is, without a more up-to-date picture of B&C's current debt structure and operational performance, all of this ostensibly good news remains under a shadow.

But the group is in the "closed" period ahead of the presentation on April 26 of its full-year accounts. This may explain why the shares rose only a paltry 1p on Friday and a further 1p to 58p on Monday, versus a 565p peak in the summer of 1987.

Even at this level, what is more, the price remains vulnerable to the slightest hint of further setbacks. "I would love to go in front of a microphone and spout — but I can't," said Mr Gunn, in recognition of the debilitating effect of this predicament.

"There is so much uncertainty that I don't think anybody would be surprised by anything," according to Mr Graeme Moyse, a Kleinwort Benson analyst.

By way of illustration, April 23 sees the start of the hearing of the Quadrex court case in which B&C is claiming damages for the US securities firm's alleged breach of contract.

Quadrex failed in February 1988 to complete an agreement for the £280m sale to it of MW Marshall, the world's second-largest money-broker, and William Street, a US government securities broker. This stranded B&C with businesses it did not want.

At the operating level, concern is focused on the performance of Atlantic Computers, the leasing group bought in July 1988 in a much-criticised move, for £407m. Atlantic has been squeezed of late by the aggressive pricing of IBM's leasing subsidiary. The unit contributed £6.7m of profits in the six months to June 30.

There are also worries about the extent of possible provisions for the group's exposure to local authority swaps. Laing & Cruickshank, which recently downgraded its pre-tax profit estimate for the year to £67m, fears that these provisions could reach £15m.

Clearly, gearing is such — with net debt at about £700m at the time of the interims last September and interest rates at their current high levels — that the effect of too many surprises and shortfalls could still be calamitous. Thus, it is to the debt numbers that most analysts' eyes will turn in April.

They will be looking for hard evidence that B&C is furnishing itself with sufficient margin for error to be able to make interest and debt repayments without resorting to the forced sale of further large and profitable chunks of its business.

In addition to interest, the group must find £82m in both December 1990 and December 1991 to redeem preference shares issued to the Cayzer family's Caledonia Investments in part-payment for the bulk of its remaining 31.3 per cent stake in B&C. It is thought that the group's management would be comfortable with the balance sheet position if another £200m of asset sales could be secured in the coming months.

Its task next month will be to convince an increasingly sceptical City that its calculations are well-founded.

Surge in interest receipts helps Perkins Foods grow to £9.8m

By Clay Harris, Consumer Industries Editor

PERKINS FOODS, the mushrooms, fresh produce and frozen food supplier which makes more than 90 per cent of its sales in Continental Europe, lifted pre-tax profits to £9.79m in 1989.

The profits were more than three times the £2.84m reported for the 15 months to December 31 1988, and were helped by a surge in net interest receipts to £1.37m (£195,000).

Fruit and vegetables accounted for 57 per cent of profits, mushrooms for 21 per cent, frozen food for 12 per cent, and financial items for the rest. Perkins maximises its cash balances in the UK to capitalise on high interest rates.

Turnover jumped to £113.9m (£63.75m). On earnings per share of 8.4p (5.9p), or 7.8p (5.6p) fully diluted, the recommended final dividend of 1.7p raises the total to 3.1p (2.5p).

An extraordinary loss of £371,000 reflected the disposal of John Perkins Meat Packers, the original business, to management and the consequences of a fire at a subsidiary.

Howard Phillips: chief executive of Perkins Foods

After two years of expansion in the Netherlands, Perkins made its first acquisition in West Germany at the year-end with the purchase of Peppino's Pizzas, a frozen foods supplier which claims 5 per cent of the German pizza market.

Perkins plans to move from the Unlisted Securities Market to a full listing this year.

● COMMENT

Perkins is where Hazlewood Foods and Albert Fisher were, say, five years ago. Because it has a market capitalisation of just over £100m, relatively modest acquisitions can still make a disproportionate impact. Perkins, whose chief executive Howard Phillips ran Ross Young's under both Imperial Group and Hanson, clearly has another advantage in its clear geographical and operational focus. It also fuels organic growth through encouragement of inter-company trading. As a result, it is well down the road towards becoming more than the sum of its parts. Assuming pre-tax profits of £17m in 1990, taking a realistic view of likely earn-outs, the prospective fully diluted multiple is 11.5.

Bullers' £175,000 tops forecast

BULLERS TURNED in pre-tax profits of £175,000 for 1989, compared with not less than £100,000 forecast in mid-January when making a rights issue.

Mr Allan Jonnes, the new chairman, said as well as management changes, the group was reorganised into three divisions: giftware (Britannia Collection); art foundries; and decorative accessories. The acquisitions of Tallix and Glenlomond have been completed and the integration of the four art foundries could now start.

He expected the focused strategy and internal reorganisation, with the acquisitions, to yield enhanced results.

The 1989 profit compared with £705,000, and was generated from turnover of £9.95m (£11.45m).

Earnings were 0.03p (3.9p) and the final dividend is the promised 1.5p to maintain the total at 2p.

Trading profit was £756,000 (£1.46m) comprising giftware £192,000 (£264,000), art foundries £371,000 (£781,000), decorative accessories £193,000 (£310,000) and property nil (£110,000).

Another fund to invest in Malaysia

By Stephen Fidler, Euromarkets Correspondent

A $60m fund designed to invest in Malaysian shares has started trading in London after the placement of its shares was oversubscribed.

Called the Malaysia Select Fund, it is the latest in a series of specialist country funds to be listed in London, and one of a number worldwide aimed at investment in Malaysia.

The placing of 6m shares, with warrants attached, at $10.60 per share raising $60m net, was arranged by Crosby Securities.

Midland Bank Trust Corporation (Cayman) will be manager and Midland Montagu Asset Management investment adviser. The fund is aimed at capital growth and it is planned to invest about 75 per cent of its assets in smaller companies, although not more than 30 per cent will be put into securities not listed in Kuala Lumpur.

It is at least the fourth fund to be announced in the last few months aimed at Malaysia, whose government has announced a significant privatisation programme. Hoare Govett launched a $75m fund in December, Daiwa Securities one for $75m in February and Citicorp one for $80m earlier this month.

Although Japanese investors in particular have shown a strong interest in the Malaysian market, recent falls on the Tokyo Stock Exchange have made some more cautious.

Alliance Trust nav increases by 17%

Over the 12 months to January 31 net asset value of The Alliance Trust rose 17 per cent to £13.68. Apart from good performances of many individual holdings, there has also been a significant gain from the geographical distribution.

There was a further shift in the portfolio, mainly from Japan and the US into the Far East and Europe.

Net revenue for the year rose to £18.06m (£15.83m) for earnings of 35.74p (31.27p). The final dividend is 25p making 35p (31p).

UK COMPANY NEWS

Shares dive as Hobsons slumps to £0.52m loss

By Vanessa Houlder

SHARES IN Hobsons Publishing, the educational publisher, yesterday fell 35p to 170p, after the company announced a £530,213 pre-tax loss for 1989.

That compared with a restated profit of £849,499, and was blamed on a "very bad" acquisition, poor overhead cost control and unforeseen computer problems.

The fall in share price represented another steep decline from last July's high of 435p. The shares lost a third of their value last November when the company warned it had major management and financial problems.

Turnover increased from £6.51m to £8.4m and gross profits rose from £3.39m to £4.33m, although this was tempered by a steep advance in overheads from £1.53m to £4.32m.

Bodytalk, the health magazine and exhibitions group, incurred a loss of £350,000. Hobsons claims that its financial position was overstated when it was acquired in August 1988 and it has launched an action to recover £650,000.

Mr Adrian Bridgewater, chairman, said much time and money had been misdirected on a computer installation which failed to meet requirements. Lack of financial information for management had allowed controls to lapse and overheads to rise excessively.

In addition, some consultancy contracts were deferred by clients because of the general slowdown in the economy. Borrowings rose and subsequent interest charges increased from £50,000 to £181,000.

Mr Bridgewater said the company had refinanced its borrowings, reduced its staff by 30 to 130 and imposed a new management structure.

Following the resignation of the finance director last November, it has appointed a new financial controller and a non-executive director with special responsibility for finance.

Trading profits had been restated for the prior year to take account of tighter accounting disciplines, and it also seemed likely that there was a loss in the first half of that year.

Mr Bridgewater said that the outlook for 1990 was good, although the full effects would not flow through until the second half of the year.

In light of the reorganisation, the restructuring of debt and the continued growth in sales the company was sufficiently confident about its financial strength and prospects to maintain the final dividend at 7.7p; this makes the total 10.1p (10p).

There was a loss per share of 14.8p compared with a profit of 14.2p.

European growth helps offset downturn in UK and N America
Low & Bonar profits static at £22m

By John Thornhill

LOW & BONAR, the Dundee-based packaging, plastics and textiles group, yesterday reported a marginal decrease in pre-tax profits as it struggled in the face of difficult markets, particularly in North America.

Profits slipped to £22.08m (£22.25m) on sales slightly ahead at £313.46m (£312.76m) in the year to the end of November 1989.

The company has, however, lifted the total dividend to 8.25p (7p) after recommending a final dividend of 5.85p. But a higher tax charge trimmed earnings per share to 18.45p (18.72p).

Operating profits from the UK, Canada and the US all fell and only European activities increased trading profits.

Mr Roland Jarvis, chief executive, said group sales in Continental Europe had risen by 22 per cent to £57.56m while operating profits grew by 29 per cent to £5.51m (£4.28m). He added that European profits now accounted for about 23 per cent of the total. In 1985 Low & Bonar derived no profit from this region.

UK activities yielded trading profits of £11.28m (£12.23m) as the textiles division, including its Flotex business, experienced difficulties in the depressed consumer durables market.

North American interests also saw diminished trading profits of £7.2m (£8.8m). A weak performance by Low & Bonar's Canadian activities and a £169,000 trading loss in the US accounted for the decline.

Earlier this year, Low & Bonar put its flexible packaging interests into a joint venture with the Austrian Constantia Group.

Low & Bonar spent £20m on capital investment during the year but restricted its gearing level to 16 per cent (14 per cent) at the year end.

● COMMENT

Yet again Low & Bonar promises that it will be jam tomorrow and in its place offers a dividend hike today to keep the punters sweet. The company has indeed been hampered by the general economic factors but its continuing disappointment is beginning to look a bit more than just misfortune. Analysts are somewhat reassured that it has now acted to stamp on the underperforming areas of the business and a fairly savage reduction in head count will surely help to move the profits numbers forward. The joint venture with Constantia is seen as an imaginative development with considerable promise for the longer term as is the company's thrust into the rotational moulding market. Pre-tax profits are expected to advance to some £25m giving a prospective p/e ratio of about 8. Those already in the shares should probably keep faith and comfort themselves that the healthy dividend yield and the presence of acquisitive Tomkins conglomerate on the share register will help underpin the price. Others should perhaps wait until they see more evidence of jam on the table.

NEWS DIGEST

Lilleshall engineers 76% rise

AN EXCELLENT year in the engineering and building products division was said by Lilleshall to have helped lift pre-tax profits 76 per cent to £2.26m in the year to December 31.

The rise from £1.28m was struck on group turnover of £30.5m, up 33 per cent from £22.9m. Mr John Leek, chairman, said that Lilleshall's other division – industrial distribution – had produced "satisfactory results" in spite of the worsening economic climate. Its profits slipped to £1.11m (£1.23m) on turnover down at £19.04m (£19.73m).

However engineering and building products saw profits leap to £1.13m (£90,000) on turnover of £11.42m (£2.94m). Ideal Williams, the uPVC window and door business, "made exceptional progress", said Mr Leek, "exceeding expectations in both turnover and profits."

DJ Profiles, the rubber and thermoplastic extrusions maker, raised profits in spite of difficult conditions in its market, and Ray Engineering, the maker of plastic knobs and handles, steering wheels and tolerance rings acquired in October, were in line with expectations.

In industrial distribution, Serco-Ryan performed well although margins came under pressure in the second half. Allthread International, the fasteners business, had "a more difficult year".

After tax of £665,000 (£370,000), earnings came out ahead at 13.6p (8.7p). The board has recommended a final dividend of 2.4p for a total of 3.65p (2.33p adjusted) for the year.

Cornwell Parker lower in first half

First-half profits at Cornwell Parker fell 14 per cent, but the group said it was reasonably confident that the full year would look good in current market conditions.

Mr Martin Jourdan, chairman, said the overall profit from furniture was higher, despite continuing losses at Country Kitchens. Contribution from fabrics was down on slackening demand and confusion in advance of the new legislation on flammability.

From turnover ahead to £43.94m (£37.86m), the profit came through at £4.07m (£4.75m) in the six months to January 31. Earnings fell to 7.1p (7.8p) but the interim dividend is held at 1.6p.

The chairman did not expect demand to improve over the rest of the year, but said that when it did, the company had "the capacity to add rapidly to profit".

A reorganisation at Country Kitchens led to substantially lower overheads and higher margins, but there will not be a profit this year in the division.

Richardsons Westgarth higher

Richardsons Westgarth's 39 per cent increase in pre-tax profits at the interim stage was superseded by the 52 per cent rise to £2.16m for the full 12 months of 1989.

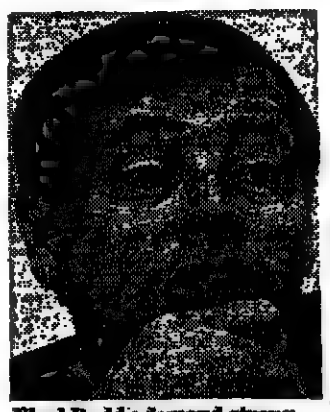
The steel stockholder and processor ascribed the major part of the advance to the £1.4m capital investment programme which was completed in early 1989 and enabled it to take full advantage of favourable trading conditions.

Sales jumped 55 per cent to £33.66m (£21.74m). Interest payable came out at £404,000 (receivable £59,000), and, after tax of £662,000 (£457,000), earnings worked through at 6.6p (5.1p) per share. A proposed final dividend of 1.5p makes 2.5p (2p) for the year.

Directors said that the highlight of the year had been the acquisition in June of Berry Hill Group, with is steel stockholding subsidiary James & Tatton. This allowed a programme of rationalisation, now completed. Net assets had risen by 94 per cent and at the year-end borrowings were only 16 per cent of net assets.

Pendragon beats City estimates

In its first set of results as an independently quoted company, Pendragon, the specialist vehicle dealer, exceeded City estimates in announcing pre-tax profits of £4.72m for 1989.



Nigel Rudd : demand strong in spite of rising interest rates

The group – whose franchises encompass the main luxury and specialist marques such as Rolls-Royce/Bentley, Jaguar, Porsche, Mercedes-Benz and BMW – was demerged from Williams Holdings last October.

The outcome, achieved on turnover of £180.29m, compared with profits of £1.9m in 1988, although this figure was struck after an exceptional charge of £2.03m relating to reorganisation costs.

Mr Nigel Rudd, chairman, said that in spite of rising interest rates sales demand remained strong with the group's dealerships generally not subject to the substantial price discounting suffered by many volume franchises.

Interest charges totalled £2.44m and gearing at the year end, excluding hire purchase liabilities relating to Pendragon's contract hire fleet, was 32 per cent, down from 43 per cent just after the demerger. Including the fleet liabilities gearing was 47 per cent, against 59 per cent.

Earnings per share were 15.5p and the directors expect to declare a maiden dividend in October.

High-Point expects little change for year

High-Point, the project promotion consultancy, yesterday warned that profits for the current year were unlikely to show a significant change on the previous 12 months as a result of continued high interest rates.

The statement accompanied the Birmingham-based group's figures for the six months to November 30 which showed pre-tax profits ahead from £797,000 to £866,000. Profits for the last full year amounted to £2.44m.

Turnover for the half-year totalled £25.19m (£19.16m). After tax of £330,000 (£311,000), earnings per 10p share worked through at 10.85p (9.9p). The interim dividend is raised by 0.3p to 2.55p.

Marginal gain at Unigroup

Unigroup, the industrial holding company with interests in building products, clothing, timber and communications, reported an improvement from £506,000 to £527,000 in pre-tax profits for the half year to December 31.

Comparative profits were arrived at after charging losses of £140,000 in respect of subsequently discontinued businesses. There was, therefore, a fall in profits from the continuing activities which, directors said, stemmed largely from a decline in the contribution from building products.

Turnover was £10.27m (£8.44m) and after tax of £184,000 (£114,000) earnings emerged at 1.39p (1.94p); there were also extraordinary losses of £68,000 (£197,000).

FINANCIAL TIMES SURVEY

Kuwait has one of the highest per capita incomes in the world but economic prosperity could not prevent recent unprecedented confrontations between security forces and the prosperous middle classes clamouring for democracy. Victor Mallet investigates.

Political future unclear: Kuwaitis are demanding a return to democracy — for a select electorate

KUWAIT

Eventful year for democracy

KUWAIT has had an eventful year, far more eventful than the ruling al-Sabah family would have liked. In the last two months of 1989, the pro-democracy movement came out of the shadows and demanded the restoration of the National Assembly, which was suspended at the height of the Gulf war in 1986 by Sheikh Jaber al-Ahmad al-Sabah, the Emir.

There were unprecedented confrontations between the security forces and thousands of prosperous demonstrators before the Emir softened, delegating Sheikh Saad al-Abdullah al-Salem al-Sabah, the Crown Prince and Prime Minister, to enter into political negotiations with former members of parliament. The talks started in February and the protest meetings have been suspended.

This happened in a country with one of the highest per capita incomes in the world, and at a time when rising oil prices were pulling Kuwait and its Gulf neighbours out of the recession caused by the sharp price falls of four years ago.

Kuwaitis have watched the momentous events in eastern Europe with interest, and they have not failed to notice the rise of democracy in the Arab world, particularly in Tunisia, in socialist Algeria and in the Hashemite Kingdom of Jordan. But the Kuwaiti democratic movement was home-grown. Of all the Gulf states, Kuwait has the strongest tradition of quasi-democratic institutions, culminating in the 1962 constitution suspended by Sheikh Jaber.

A formalised system of consultation which began in the early years of this century as a compromise between the wealthy merchants (they provided the money) and the al-Sabah dynasty (they provided political stability) has developed into an unresolved stand-off between the modern, sophisticated Kuwaiti elite and the same al-Sabah family.

As in all the Gulf countries, the vast oil revenues of the past 40 years have given the ruling family complete financial independence; the merchants and contractors depend to a great extent on the largesse of the al-Sabah, rather than the other way round.

Kuwait, however, is not on the brink of revolution. The protestors are merely demanding the reinstatement of a system which ensures al-Sabah rule but gives the select electorate — a mere 65,000 Kuwaitis whose families were present before 1920 out of a total population of 2m — a public forum in which to voice their grievances. The dispute, much as in eastern Europe or Africa, centres on whether free speech ensures better government or simply undermines national unity by exposing ethnic and religious rivalries.

The Emir takes the latter view. "Let us always remember," he said in a conciliatory speech on January 20 to launch the political dialogue, "that we are members of the same tiny community which cannot tolerate dissent and differences, and where it is easy to come to terms given good intentions and open-mindedness."

Sheikh Jaber alluded obliquely and picturesquely to one of the most crucial obstacles to democracy in Kuwait: the often hostile attitude of its overbearing neighbours, Saudi Arabia, Iran and Iraq. None of these would take kindly to public criticism in the National Assembly.

"No ship sailing in the sea of international politics can seclude itself," the Emir declared, "nor can some of its people take independent decisions away from its leadership and destiny, or fail to co-operate among themselves before it reaches its safe destination."

Kuwait has excelled at nimble diplomacy in a particularly difficult region since casting off its ties with Britain in 1961. By the start of this year Kuwait's relations with Iran and Iraq were relatively calm in the aftermath of the Gulf war ceasefire in 1988, but Saudi Arabia's conservative rulers remain suspicious of Kuwait's democratic movement and of its Shia Moslems, who make up about 30 per cent of the local population and are perceived in Riyadh as potential agents of Iran.

They in turn were incensed by Saudi Arabia's decision to execute 16 Kuwaiti Shias last year for allegedly planting bombs during the pilgrimage to Mecca. The Shias were angered by what they saw as their own government's failure to stand up sufficiently for the rights of its citizens.

In such a difficult climate, and among Arab neighbours who abhor anything other than public declarations of fraternal love, the al-Sabah family is not in the mood to allow Kuwait to become an isolated and vulnerable champion of free speech. The most that Sheikh Jaber and Sheikh Saad seem prepared to offer is some kind of consultative body — which would mean a watering down of the constitution — and an easing of press censorship.

The opposition MPs and the intellectuals, trade unionists and businessmen who support them do not seem likely to accept such a compromise, particularly when they believe that the al-Sabah can no longer count on the unquestioning support of Kuwait's bedouin tribes.

Those calling for the restoration of parliament argue that corruption and incompetence have increased in the absence of public supervision, and that educational and other institutions have been damaged by government appointees chosen for reasons of favouritism rather than merit.

Higher-than-expected oil revenues have put public finances on a better footing than for the past five years, and gross domestic product rose by 4 or 5 per cent last year after a decline of about the same amount in 1988. The economy is expected to grow again this year, a situation which in a poorer society might give the government more room for political manoeuvre, but the Kuwaiti private sector is demanding a larger share of the cake rather than complaining of absolute poverty.

Cuts in government spending were particularly harsh on the construction sector in the 1980s. An improvement is anticipated in the 1990s based on the need for more housing and a string of large projects, including a power station at Subiya in the north, and tentative plans to build a new town there, linked to Kuwait city by a causeway.

The non-oil economy and the banking system are recovering from the crash of the unofficial Souk al-Manakh stock market in 1982 and the unpaid debts it left behind, while Kuwait tries to find new jobs for growing numbers of educated Kuwaitis. Two thirds of the population and over 80 per cent the workforce are foreigners, but Kuwaitis are unwilling to do the "menial" tasks undertaken by Indians, Egyptians and other foreigners.

A report prepared jointly by the Government and the Chamber of Commerce and Industry last year recommended a series of measures to revitalise the Kuwaiti economy, including write-offs for the smaller Souk al-Manakh debts (a move being implemented), deregulation, privatisation and protection for some local industries. New tariffs have recently been imposed on a variety of construction materials and foodstuffs.

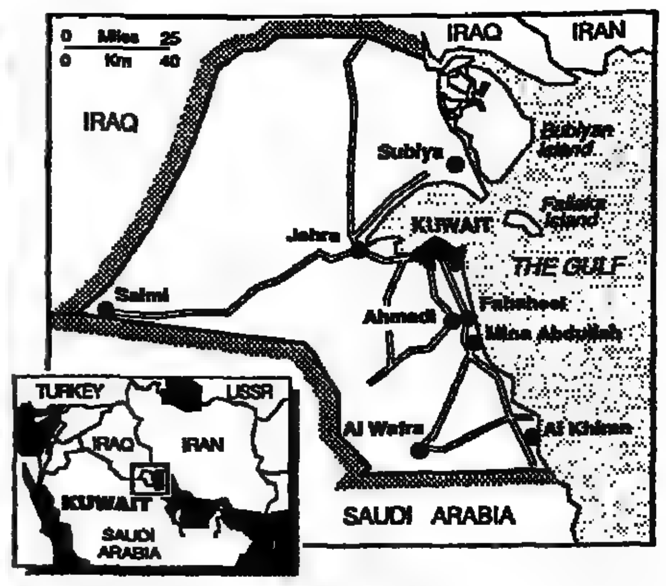
There are plans to establish a free-trade zone in Kuwait and improve the efficiency of its ports, where bureaucracy and security fears have often slowed operations. In common with other Gulf states, Kuwait has begun to moderate its absolutist welfare state by gradually introducing user fees in an attempt to cut waste and save on government subsidies. On the industrial front, Kuwait's philosophy is not so much to industrialise at home — except in the case of petrochemicals — as to create high-level managerial jobs for Kuwaiti businesses with factories abroad.

Kuwait, largely through the Kuwait Investment Office in London, has proved the worth of investing funds overseas rather than accepting low returns on local industrial enterprises catering for a small home market. On the trading side, however, Kuwaitis still seem to envy the commercial success of Dubai and to regret the loss of Kuwait's status as a re-export centre for Iraq and parts of Saudi Arabia. Perhaps they should take comfort from the fact that while Dubai has set a commercial example of speed and efficiency, Kuwait has established some notable political precedents.

Sheikh Saad's critics – and admirers – believe he is playing for time in the political negotiations, and they predict he will try to stretch the talks with the MPs into the holy month of Ramadan and then into the hot summer months, when many Kuwaitis fly to Europe on vacation, in an attempt to take the wind out of the opposition's sails.

He seems to have underlined the seriousness of his commitment to the dialogue by postponing a visit to London scheduled for March 12, during which he was expected to meet Mrs Margaret Thatcher, the Prime Minister, as well as the Queen and Prince Charles.

"It might take a long time," he said recently in a reference to the talks with Kuwaiti MPs. "I am prepared. Kuwait's benefit is in taking our time, not haste."

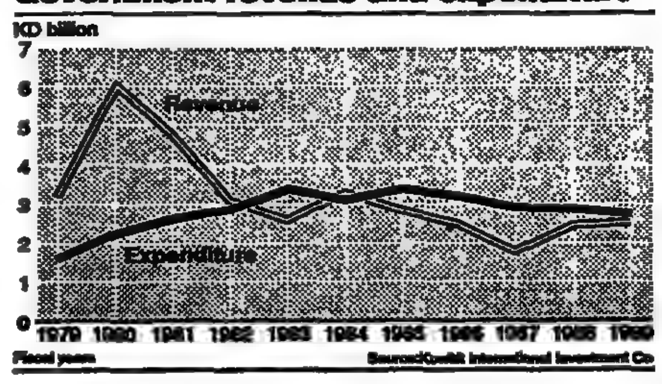


KEY FACTS

	1989	1988
Nominal GDP ($m)	18,965	20,341
Real GDP ($m)	14,113	13,675
Real GDP % growth	3.2%	2.7%
Real GDP % growth 1979/89	-5.1%	
Current account balance	6,507	4,712
Merchandise exports	9,400	7,110
Merchandise imports	5,678	5,204
Trade balance	3,722	1,906
Current account balance/GDP	34.3%	23.2%
Total reserves minus gold	3,102	1,923.5
Petroleum exports ($m)	8,708	6,391
Petroleum/total exports	92%	89%
Petroleum production 1,000/bd	1,700	1,255
Population (000's)	1,958	
Land area (sq km)	17,818	
Currency	Dinar = 1,000 fils	

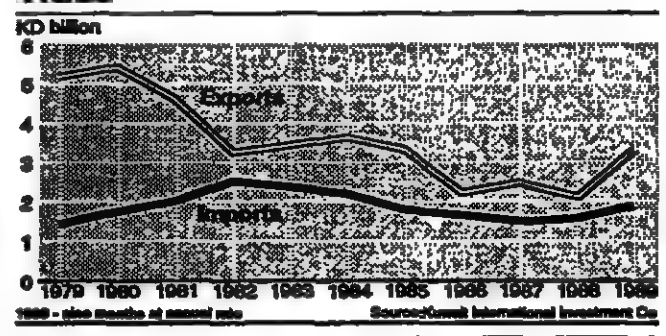
Source: IFS DOT EIU

Government revenue and expenditure



Fiscal years — Source: Kuwait International Investment Co

Trade



1989 - nine months at annual rate — Source: Kuwait International Investment Co

WOMEN AND SOCIETY

Veil of silence on suffrage

LAILA ALQADHI hardly fits the image of the passive Arab woman.

She is bold, noisy, outspoken, even a little outrageous. It seems that she is in rebellion against cloistered Kuwaiti society. But in her often pungent criticism of the way things are she is by no means unique in a country where women have tended to assert themselves more than their sisters elsewhere in the Gulf.

"I'm happy to be a Moslem," she says, "but I don't want to be an oppressed Moslem. I want an enlightened Islam." This lies at the centre of the debate that ebbs and flows below the surface of a society that has traditionally been more open than its immediate neighbours.

Women traders at a souk in Kuwait city

Among educated Kuwaiti women discussion happens to be flowing at present in response to the activities of the male-dominated pro-democracy movement. Women, albeit a small minority, are asking why in all the discussion and agitation for the restoration of parliament suspended in 1986, there are no public calls for the suffrage to be extended to females; why a veil of silence has been drawn over the issue?

The male leaders of the pro-democracy movement say simply that discussion of such issues would sunder the fragile consensus between the left, the centre and the religious right on which the movement rests.

Mrs Alqadhi, a teacher of English at Kuwait University, believes these sort of issues should be debated openly, otherwise "we are going to be under a form of rigid control for the rest of our lives." And she added: "I don't think a lot of Arab women are aware of the tremendous achievement of Benazir Bhutto. It has not even hit them."

Educated middle class women in Kuwait — this category numbers perhaps 10 per cent of Kuwaiti adult females — find themselves, as they enter the last decade of the twentieth century, caught in a nether world between traditional Arab society and the pressures of life in a modernising state. A number of these women, and especially those educated abroad, find the adjustment a difficult, even painful, experience.

Some learn to cope, others don't. Mrs Wafa al-Rasheed, who is head of public relations at the Kuwait Stock Exchange, says that it is in the workforce where Kuwaiti women have made the most progress. "Now we have passed the stage," she says, "where men are sceptical about having a woman as a boss . . . in finance and in business, especially, it is becoming more normal."

Ministry of Planning figures show that a growing proportion of Kuwaiti women are taking jobs, but the numbers are still relatively small. According to the 1985 census 59.5 per cent of Kuwaiti men and 13.8 per cent of women were economically active. This compares with a figure in 1980 for economically active women of 9.6 per cent. In 1965, just 1.6 per cent of women were engaged in the workforce. (Kuwaiti nationals, according to latest estimates, account for less than half the total number of 2m people living in Kuwait).

The rise in the numbers of working women reflects changing social attitudes and improvements in the education system. Schooling, which is free, is compulsory from the ages of 6 to 14. At the same time, many more Kuwaiti girls are going on to the university.

Illiteracy rates among Kuwaitis have dropped sharply, thanks to an active literacy campaign. At the 1985 census, the rate of illiteracy among Kuwaiti men was 9.9 per cent, and 24.1 per cent among Kuwaiti women. More women are being obliged to work these days in a society where living costs are high and where the weaker oil market means the pie to be divided among Kuwaitis has grown proportionately much smaller.

Mrs al-Rasheed said that because of ignorance in the past many Kuwaiti women were treated like "tools," but that was changing because men were beginning to recognise women's more independent role.

Women's demands for political rights are hardly a conspicuous element of the Kuwaiti debate at present, but over the years the suffrage issue has been raised periodically inside and outside the 50-member National Assembly. In its proposed reform of the 1962 constitution after parliament was suspended between 1976-1981, the Government recommended that women be allowed to vote, but when a young deputy tabled a proposal along these lines in the assembly he was soundly defeated.

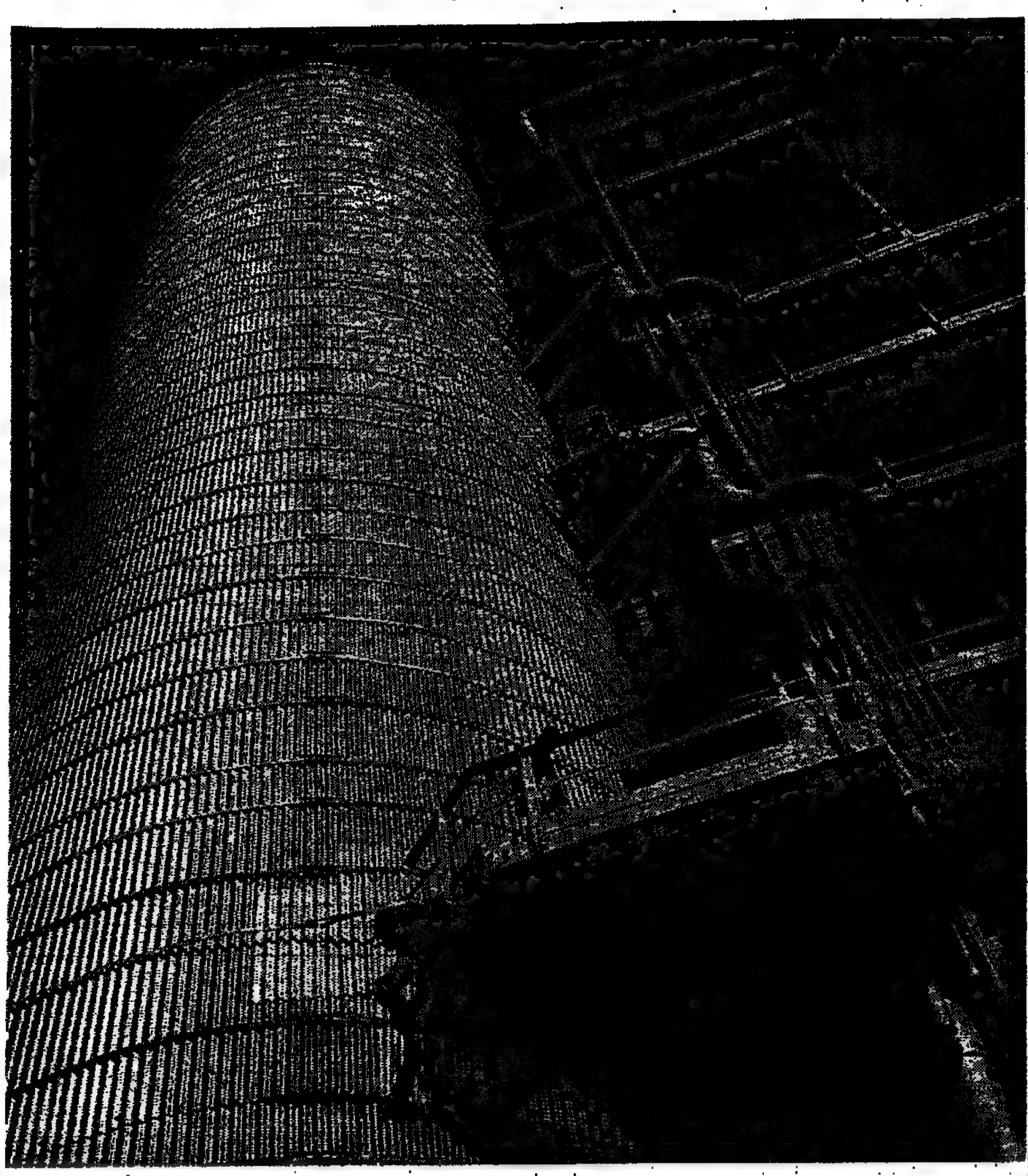
On January 19, 1982, the National Assembly, by 27 votes to seven, rejected women's suffrage. In so doing, it adopted the view of a parliamentary commission which had concluded that the issue reflected "preoccupations alien to Kuwaiti society."

This was the first and last time a draft law on women's suffrage had come put to a parliamentary vote, but the subject was often debated by the assembly before its suspension in 1976. In the 1981 election campaign women's suffrage was one of the main issues.

Tony Walker

Expansion in the oil sector shows no signs of slowing down as production continues to exceed agreed levels. **Victor Mallet** reports

The stance on quotas means keeping an eye on prices



Quota bashing: refineries can overproduce as long as prices remain above $18 a barrel

EXCEEDING agreed oil production quotas is common enough among the unruly members of the Organisation of Petroleum Exporting Countries, but to declare your defiance publicly, as Kuwait has done, is highly unusual.

Kuwait's policy of ignoring its quota appears even more mysterious when one remembers how it fought for a quota increase at the Opec meeting in November. Kuwait raised its share of the overall Opec ceiling – which was itself increased – to 6.8 per cent from 5.6 per cent, and won a quota of 1.5m barrels a day. In the first part of this year it has been producing between 1.8m and 2m b/d.

Sheikh Ali Khalifa al-Sabah, the Kuwaiti Oil Minister and chairman of the Kuwait Petroleum Corporation (KPC), is unrepentant. Overproduction is permissible, he argues, as long as prices remain above the $18 a barrel reference price agreed by Opec.

Kuwait can afford to moderate prices by overproducing with reserves of nearly 100bn barrels, the third largest in the world, and it wants to ensure that oil consumers are not persuaded by high prices – or the fear of high prices – to turn to other energy sources or to introduce Draconian conservation measures.

A year ago, Sheikh Ali was telling the world that there was plenty of oil, but that demand was improving and Opec was producing much closer to capacity than generally believed. So far, he has turned out to be right.

"Demand is far outstripping our expectations and is likely to keep outstripping our expectations," Sheikh Ali said in a recent interview.

"There are very few countries that have the capacity to meet their quotas, so we are left with two or three countries that can go above their quotas, and these countries are responsible and care about the price."

Sheikh Ali said the quota system was "intellectual luggage of the past," although he conceded that not all his Opec colleagues agreed. "I'm not paid to make everybody happy," he said.

"The problems of the nineties for Opec will be completely different from the problems of the eighties and the policy instruments that one needs may be completely different as well . . . essentially we will not be dealing with a glut situation, so we may have another type of problem – maybe regaining the confidence of the consumer; expanding capacity and so on."

Sheikh Ali is vague about Opec's future role, but in the meantime Kuwait is pursuing an aggressive policy of increasing reserves at home, investing in exploration overseas, and widening its international downstream refining and marketing operations. "We don't need to make additional exploration. Wherever we dig we find oil, almost literally," declared Sheikh Ali confidently when asked about domestic oil field development. "We have discovered a considerable amount of new reserves and we in the process of developing them."

It is true that Kuwait can quickly and easily increase output by tapping into existing fields, but it is looking for higher grades of crude to blend with its current production. Production capacity is expected to rise by about 1m b/d to some 3.5m b/d by the middle of the decade.

Kuwait continues to be particularly active abroad. Capitalising on Kuwait's history of generous aid to the Third World, the Kuwait Foreign Petroleum Exploration Company (Kufpec) has been busy in Asia Pacific, the Yemens and Africa as well as the Soviet Union.

Kufpec, a KPC subsidiary, has been described as Sheikh Ali's personal Foreign Office; it gives him a higher profile abroad, and its upstream investments increase Kuwait's chances of access to downstream assets.

Two cases in point are Thailand and Indonesia. In Thailand, Kuwait established a company and is acquiring petrol stations to market its Q8 brands (pronounced Kuwait); in Indonesia it has been asked to invest in a proposed oil refinery.

Through its subsidiary Kuwait Petroleum International, Kuwait has thousands of petrol stations in Europe, and the country processes about half of its crude oil production at refineries in Kuwait and abroad. KPC has been considering the idea of spending $600m to buy Amoco's UK refinery and retail assets, including more service stations and a 70 per cent share of a refinery at Milford Haven.

Sheikh Ali suggested that further international deals are in the pipeline and may become public soon.

Eastern Europe, Hungary in particular, is an area of interest to Kuwait, although Sheikh Ali was not expecting any dramatic developments in the immediate future.

"It's still all very foggy," he said. "I'll be travelling to some of the east European countries. We may even open small offices in all of these countries."

Kuwait's strategy is to integrate production, refining, transport and marketing to insulate the country from the volatility of crude oil prices. If crude oil customers ever become reluctant to buy Kuwaiti oil, KPC can rely on its own downstream operations.

The latest moves in this direction include a planned $2bn petrochemicals complex in Kuwait, and the proposed purchase of more ships by the Kuwait Oil Tanker Company, another KPC subsidiary. KOTC intends to buy 11 vessels, including four very large crude carriers, at a cost of some $500m.

Sheikh Ali makes no secret of Kuwait's ability to buy almost whatever it wants with its impressive financial resources, and his critics have accused him of paying too much both for upstream investments – the $2.5bn purchase of Santa Fe International in 1981 is the most widely quoted example – and for marketing outlets.

However, the Kuwaiti oil system is a formidable machine which shows no sign of slowing down its expansion plans; and there is enough oil in Kuwait to last for a couple more centuries.

Petrochemicals

Plans for complex revived

PLANS FOR a $2bn petrochemicals complex in the Shuaiba industrial zone have been revived after forecasts showed strong international demand up to 2010.

Companies will probably be asked to make formal bids for the offer of technology licences in the near future.

The new complex is expected to produce high and low density polyethylene, styrenes and polystyrenes, ethylene glycol and aromatics; these are used as raw materials for a variety of plastic products. Sheikh Ali Khalifa al-Sabah, the Oil Minister and chairman of the the Kuwait Petroleum Corporation, is vigorously supporting the project, and construction may begin in 1991 or 1992, with completion by 1997.

Although similar plans have been prepared and shelved in the past, KPC officials are convinced that the petrochemicals market is set for a period of solid expansion after a history of cyclical ups and downs.

Third World demand and the increasing use of plastics in cars are expected to support petrochemicals prices. At the same time, Kuwait may be able to use its shareholdings in international chemical companies to ensure outlets for its future production. Feedstock for the complex will be Kuwaiti gas and naphtha from the country's expanded and upgraded refineries.

"We find ourselves in the perfectly good position of having collected the gas, having developed the refineries, and putting the two together," says Sheikh Ali. "We go into it without any fear because with these two economic advantages, even if we go into a downward cycle with petrochemicals our cost advantage is so high that I couldn't care, that I could survive it."

KPC is handling the project, which is regarded as too big for its hitherto loss-making subsidiary, the Petrochemical Industries Company. Until recently PIC has concentrated largely on fertiliser production in Kuwait and through joint ventures in Bahrain, Tunisia, Turkey and China.

PIC net losses were reduced to KD5.5m in the year to June 30, 1988 from the previous year's KD21.5m. The latest annual figures show accumulated losses of KD46.5m.

PIC also produces salt and chlorine, but has just embarked on its first large large petrochemicals investment, a $140m polypropylene plant with a capacity of 80,000 to 100,000 tonnes a year.

The licensing and basic engineering contract was won last year by Union Carbide of the US.

VM

Sheikh Ali Khalifa, Oil Minister: Eastern Europe is an area of interest

EXPLORATION

Search goes upstream

KUWAIT likes to use its money, not sit on it.

The Kuwait Investment Office, for example, made waves two years ago by buying a fifth of BP, Britain's largest company, before being forced to reduce its stake in a lucrative compromise agreement. The Kuwait Petroleum Corporation (KPC) has pushed its way into downstream operations by buying refineries and petrol stations across Europe.

The latest Kuwaiti phenomenon is the rise of the Kuwait Foreign Petroleum Exploration Company.

Kufpec, a KPC subsidiary, was founded in 1981 to go upstream and look for oil outside Kuwait. Typically, Kuwait was the first non-Western oil producer to make serious inroads in this direction.

Kufpec has been particularly busy in recent months, negotiating for exploration rights in the Soviet Union and developing its assets in Africa, Asia Pacific and the Middle East.

At any one time it has about 30 joint venture stakes and acts as the operator for concessions in Indonesia, Australia and Tunisia.

"Last year was quite an active year for us because we had two discoveries and added so many other new ventures to our portfolio," says Mr Faisal al-Kazmawi, Kufpec's chairman and managing director for the past three years. He rejects Kuwaiti complaints that it is pointless for the country to invest in oil exploration when it has plenty of oil and should be trying to diversify into other sectors.

A similar case was put forward by those who opposed the KIO's purchase of BP shares. Mr al-Kazmawi, however, argues that diversification out of oil is hardly an issue because Kufpec spending accounts for only about 1 per cent of Kuwait's overseas investment.

Echoing the bullishness of Sheikh Ali Khalifa al-Sabah, the Oil Minister and KPC chairman, Mr al-Kazmawi says Kufpec's operations make both economic and political sense. "We have money, we know this business, so let's go ahead and invest in it," he says.

Kuwait's history of generous aid spending in the Third World gives the country an advantage when competing for concessions, and Kuwaiti investment in oil exploration enhances the international profile of a small Gulf state striving for recognition abroad.

Kuwait is well-placed to deal with the Soviet Union, as it was the first Gulf Co-operation Council state to establish diplomatic relations with Moscow. Kuwait's overseas exploration and development activities are shared between Kufpec and Santa Fe International, the US-based contract drilling and exploration company which was bought by KPC for $2.5bn in 1981, the same year that Kufpec began operating.

Broadly speaking, Santa Fe is responsible for the Americas and the North Sea, while Kufpec covers the rest of the world, but the two groups co-operate closely.

Sheikh Ali's critics have questioned the wisdom of establishing Kufpec and buying Santa Fe at such a high cost and expressed doubts about potential profitability in such a difficult market.

KPC recently sold Santa Fe's engineering subsidiary C.F. Braun, while Kufpec lost KD8.2m in 1988, increasing accumulated losses to KD44.8m. Mr al-Kazmawi is unrepentant, defending Kufpec's record on the grounds that it takes a decade for such a investment to bear fruit.

"We will start making our money in three or four years," he says. "Don't compare us to Exxon. We are a very, very young company. We started eight years ago and we're going full blast . . . our capital is KD200m, but I was told, 'whenever you encounter something big, let us know'."

Santa Fe is producing about 36,000 barrels a day from its US and UK interests, which should rise to about 50,000 b/d in the next couple of years as further North Sea output comes on stream.

Kufpec output stands at about 5,000 b/d (from Egypt and Australia), but Mr al-Kazmawi expects it to rise next year to between 25,000 and 30,000 b/d. Kufpec reserves are equivalent in energy terms to about 100m barrels of oil, of which about 40 per cent is gas.

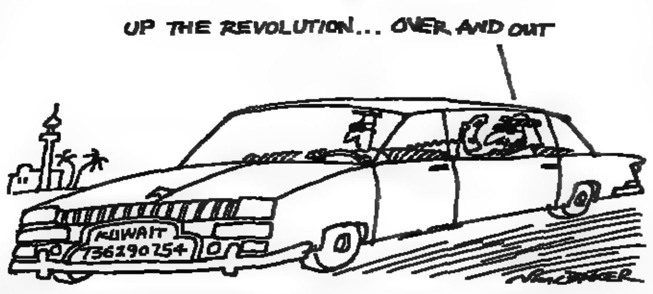
Kufpec's policy is to share its investments between high-risk, little-explored acreage and low-risk, semi-mature areas. "In this business you need good staff and good technical people, but you also need lots of luck," says Mr al-Kazmawi.

Kufpec's main areas of interest include:

- The Soviet Union: Kufpec has been engaged in lengthy negotiations with the Soviet Ministry of Geology for the right to explore two fields in the Russian republic. Kuwait rejected an earlier offer of a deal for development of oil reserves in Siberia.
- The Yemens: A joint venture agreement with the Soviet Union to explore or develop oil reserves in South Yemen is said to be imminent. Kufpec is a partner – with the Soviet Union, Hunt, Exxon and CFP-Total – in the consortium to explore the zone on the previously disputed border between North and South Yemen.
- Asia and Australia: Production is expected to start soon from two fields in Indonesia. Kufpec also has interests in Pakistan, Malaysia, Thailand, and Australia, and is planning to explore in Vietnam. Probably the most important arrangement is Kufpec's 30 per cent share in a gas find off China's Hainan Island. Negotiations are under way with Japanese companies to build a liquefied natural gas plant for exporting the gas to Japan.
- Africa: Kufpec has interests in Egypt, Tunisia (where it found oil last year), Algeria, and Congo, and is looking at Gabon.

POLITICS

Middle class agitation



IT MUST be the first revolution in the world to be conducted by car telephone, said the Western official with *wry amusement.*

Kuwait's incipient pro-democracy movement is unique among the world's burgeoning democratic tendencies for reasons that have as much to do with the country's wealth as with its population mix.

In this tiny oil-rich emirate at the head of the Gulf, where eligible voters represent only a small fraction of the population, it is members of the wealthy male bourgeoisie and the well-connected educated elite who are in the movement's vanguard. Unlike other similar trends world wide, agitation has not been spawned by economic hardship.

"People, for the most part, enjoy economic security," says Dr Abdul Rida Assiri, a political science professor at Kuwait university, "but what they are looking for now is a restoration of rights that were removed when parliament was suspended in 1986."

Since late last year, the al-Sabah family, whose rule over this barren former trading and pearling outpost dates from the mid-eighteenth century, has come under unaccustomed pressure from a restless Kuwaiti elite demanding a *return to the status quo* that prevailed before 1986.

In that year at the height of Gulf War, Sheikh Jaber al-Ahmed al-Sabah, the thirteenth ruler in the Sabah lineage, suspended the lively parliament, citing a foreign conspiracy aimed at destroying Kuwait. He was referring to a series of terrorist bombings in Kuwait and attacks on its interests abroad by Iranian-backed local Shia Muslims whose aim was to *de-stabilise* the country and to deflect it from its support of Iraq.

Local opposition figures, including the 26 MPs who made up the notional opposition in the 50-member parliament, detected other more self-serving reasons for the closure of the National Assembly which had become an increasingly rumbustious debating chamber following the calamitous crash in 1982 of the local Souk al-Manakh unofficial stock market.

Members were asking how it was that the Government could have allowed one of the most spectacular stock market crashes in history – paper debts totalled $97bn – and how influential individuals close to the royal family were *able to borrow vast sums from* the banks without security to fund speculative share trading.

The Souk al-Manakh issue rumbles on, and one must assume that concern about details of this episode being ventilated in the national assembly and reported by a local press freed of the constraints under which it is presently operating is one of the main factors inhibiting a decision to reconstitute the parliament.

Opposition agitation for the return of parliament and for the removal of shackles on the censored local press, once one of the freest in the Arab world, began to gather strength late last year at a series of Diwanniyas or mini-parliaments at *the private houses of prominent* individuals, many of them ex-MPs. These traditional all-male gatherings, which are as much part of Kuwaiti life as is a visit to the local pub in the UK became increasingly political, to the dismay of the authorities unused to demonstrations of disaffection.

Matters came to a head on January 22, when police used tear-gas and batons to disperse a crowd of about 6,000 which had gathered at the house of an opposition figure. In the process a 70-year-old ex-MP was beaten up, along with several other leading members of Kuwaiti society, including Dr Ahmed Bishara, the former vice rector of the University.

In this gossipy emirate society, based on an elaborate web *of interlocking family connections*, the heavy-handed police tactics were regarded as a serious affront to consensus rules that have applied for generations.

Two days before the Farwaniyah incident, Sheikh Jaber, who has ruled Kuwait since 1979, had made an elegant appeal for calm in a national address in which he said: "Let us always remember that we are members of the same tiny community which cannot tolerate dissent . . . and where it is easy to come to terms given good intentions and open-mindedness."

The regime and the ex-MPs and their supporters, who include more than a few millionaires, have begun a dia*logue to establish new ground* rules for the restoration of democracy, but Sheikh Saad al-Abdullah al-Sabah, the Crown Prince and Prime Minister, has said that the consultations could take some time.

Opposition figures warn, however, that unless real progress is made towards recalling Parliament, agitation will resume.

"We hope for peaceful change," said Dr Ahmed Khatib, a nationalist ex-MP, "but if people are frustrated violence cannot be ruled out."

This sort of challenge to the ruling family was almost unheard of in Kuwait. There is no doubt that regional democratic movements such as those in Algeria, Jordan and the two Yemens plus events in eastern Europe have emboldened Kuwait's pro-democracy tendency.

"You cannot isolate yourself from what's happening in the world," said Mr Ahmed Saadoun, member of Kuwait's merchant oligarchy and speaker of the parliament.

Critics of the regime believe it missed an opportunity to reconstitute the parliament after the winding down of the Gulf War in August, 1988. Now, it is in danger of being seen to respond weakly to pressure if it agrees to reconvene the assembly and hold elections.

The Sabah's dilemma is deepened by the uncompromising attitude of Saudi Arabia, next door. The Saudis have made it clear that they would not be at all happy to see the restoration of parliament, lest it encourage pro-democracy elements in Saudi Arabia.

Dr Khaldoun Nageeb, a professor of sociology and a leading Kuwaiti intellectual, believes that the Sabahs would be well advised to cut a deal with the coterie of parliamentarians, rather than risk having to deal with a more militant younger generation, many of whom have been educated in Europe or in the US.

Curiously, less than 3 per cent of the approximately 1.8m people who live in Kuwait will be involved directly in the electoral process. Suffrage is restricted to Kuwaiti males over 21 who hold first-class citizenship. Eligible voters in 1985 numbered 65,000 with a turnout of about 90 per cent at the poll. The 50 parliamentarians spread across 10 electorates were returned with about 1,000 votes each.

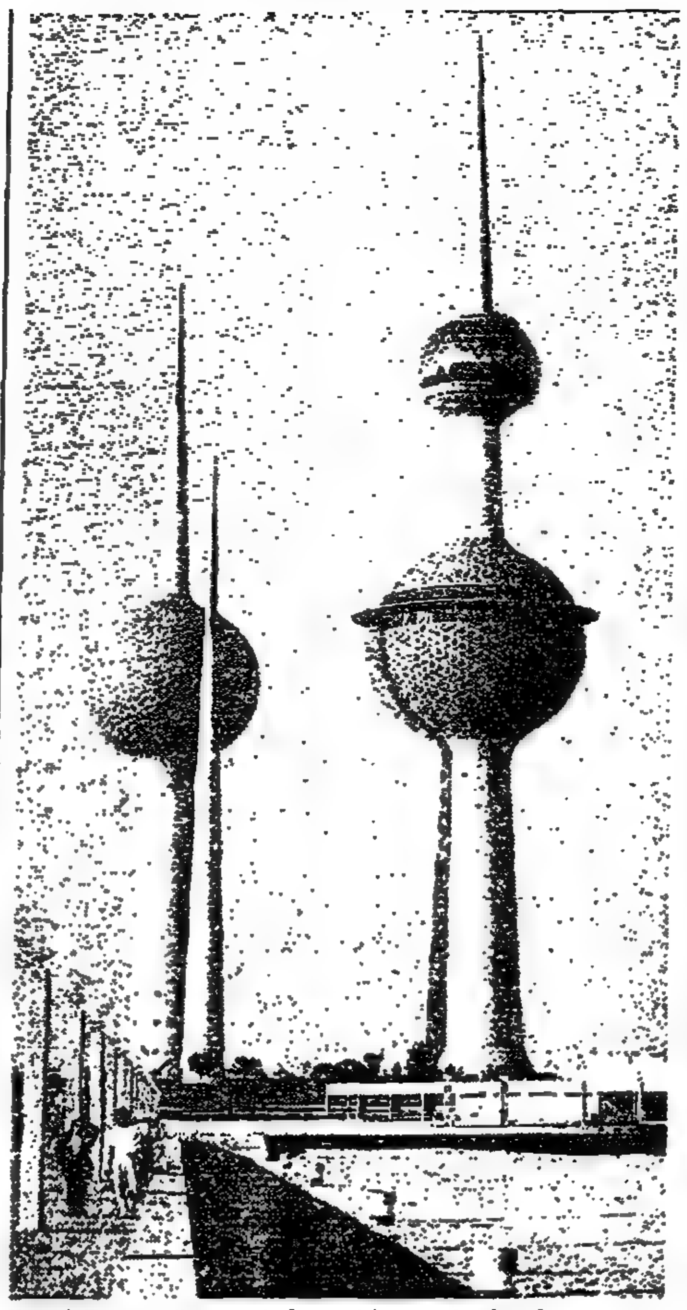
But Kuwait's financial weight, its relative importance among Gulf states, its proximity to Iran and Iraq, and the fact that it has traditionally been a gateway for ideas and influence entering Saudi Arabia means that any tremors in the emirate are likely to have an impact further afield.

Kuwait's substantial Shia Muslim population – Shia's number about 200,000 – is a further complication. The involvement of pro-Iranian Kuwaiti Shias in a series of terrorist incidents in Kuwait has fuelled fears in the Sunni mainstream that the Shia community represents a potential fifth column in its midst.

But in spite of Kuwait's manifest difficulties, opposition figures argue that the restoration of the 1962 constitution without amendment, and a return to parliament is the best guarantee for the well-being of society.

Tony Walker

Sheikh Jaber al-Ahmed al-Sabah: suspended parliament



Kuwait Towers: the country's most famous landmark

Victor Mallet on the water industry

A thirst for technology

IT IS no accident that the Kuwait Towers are the country's most famous landmark. These modern edifices – the highest is 187 metres tall – have become the symbol of an otherwise featureless city state, and they contain water.

In the arid climate of the northern Gulf, the production, storage and distribution of man-made fresh water for Kuwait's industrialised consumer society is big business. Like most of the Gulf states, Kuwait has underground water reserves of limited quantity and quality, and relies heavily on its plentiful energy supplies to desalinate sea water. Desalination capacity at Kuwait's six plants amounts to more than 250m gallons a day.

It is a far cry from the day in 1925 when an enterprising seafarer is said to have loaded some empty barrels into the hold of his dhow and set off for the Shatt al-Arab waterway between Iraq and Persia. He filled the barrels with fresh water and returned to Kuwait, emptying them into a small reservoir and supplementing the country's scant supplies of well water. By the start of the oil era in 1946, a transport company had a fleet of 45 boats ferrying water to Kuwait at the rate of 80,000 gallons a day.

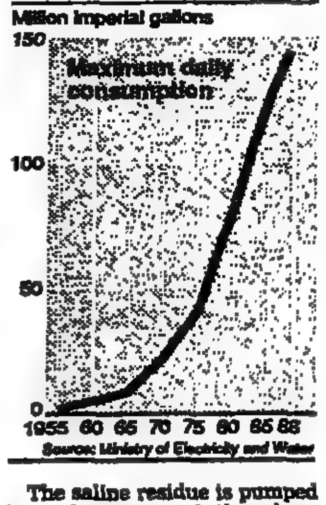
In the early 1950s Kuwait led the way in the Gulf in distilling sea water, and the industry has expanded to meet a hundredfold increase in demand. The largest desalination plant is at the Doha West power station, which produces between 35 and 40 per cent of the country's fresh water requirements.

"We get the sea water, heat it up, vapourise it, and condense the heated steam," says Mr Faisal Yousef al-Mudhaf, the Doha West Director.

The plant's distillation process requires a wealth of sophisticated technology and electronic monitoring. First, the sea water has to be cleaned of fish, seaweed, discarded crisp packets and plagues of jellyfish, and then it has to be treated with lorryloads of chemicals to prevent scaling of the equipment.

The water is heated with steam from the adjoining 2,400 megawatt power station and passed through a series of vacuum chambers where steam is progressively flashed off.

Fresh water



Source: Ministry of Electricity and Water

The saline residue is pumped into the sea, and the clean water is ready for treatment. With only two parts per million of salts, the distilled water is so pure that it is mixed with brackish water to make it more palatable.

Kuwait has moved to raise the alkalinity level of desalinated water with a series of recarbonation projects; without such treatment water can cause corrosion and rust.

Although the combination of power stations and desalination plants is energy-efficient, desalinated water is expensive. At Doha West they say it costs two Kuwaiti dinars per thousand gallons, but consumption is subsidised and the end user pays less than a dinar.

Kuwait and other consuming countries may turn to different methods of processing sea water or brackish water including reverse osmosis. The Ministry of Electricity and Water has installed an experimental reverse osmosis plant at Doha East, and commissioned a number of smaller units for emergency purposes.

Power and water stations are obvious targets for terrorists and potential enemies, and the huge Doha complex is guarded by security forces armed with heavy machine guns. There are tentative plans to procure water once again from Iraq this time by pipeline, but it is unlikely that Kuwait would ever allow itself to be dependent on essential supplies from its northern neighbour.

Average daily consumption of 118m gallons per day in 1989 amounted to less than half of installed capacity, and even at the summer peaks Kuwait has spare capacity. Per capita use of water has risen steadily to more than 22,000 gallons a year – one of the highest in the world – from about 5,000 gallons in the 1950s, but it seems to have stabilised at saturation levels. Any further increase is expected to come from population growth.

The government is exploring and developing underground reserves of brackish water while the pumping of fresh water from underground aquifers has declined. It has set up two parallel distribution networks, one for fresh water and one for the brackish water used in irrigation, livestock watering and construction.

Trading in the bourse continued to be depressed in 1989. **Tony Walker** investigates

Market that echoes to the sound of silence

THE stock market index could be mistaken for a topographical map of Kuwait with its flat desert country which barely rises more than a few tens of metres above sea level.

Trading in stocks in the largely moribund market continued to be extremely depressed in 1989, reflecting lack of confidence in local institutions and the generally weak state of the domestic economy.

According to Alshall Economic Consultants, which publishes a daily stock market index, the value of shares traded last year fell by 42 per cent compared with 1988.

Mr Jassem Saadoun of Alshall said that the stock market's weak performance was attributable to continuing uncertainty over the settling of debts left over from the spectacular 1982 crash of the unofficial Souk al-Manakh "kerb" market (this was rooted in the highly speculative practice of buying shares with post-dated cheques at a high premium to the cash price) plus a feeling of scepticism among many investors over government claims that it was in the process of re-invigorating the economy.

Mr Saadoun, a critic of the Government's management of the *Souk al-Manakh* debt crisis – the crash left a mountain of paper debts worth KD27bn ($94bn) – said the Government's release of a new economic programme last year rather than lifting prices in the market had a negative effect.

"In 1982 and 1983, when the Government said something positive, the market would rise," *he said.* "Now the reverse occurs. After seven years people have lost confidence."

The Kuwait Stock Exchange's imposing marble headquarters was designed as a solid symbol of Kuwait's financial strength, but its cavernous interior is nearly deserted and almost silent on most days. A handful of brokers conduct a desultory business in a very thin market.

The fact that the Government either directly or indirectly owns shares amounting to about 65 per cent of the exchange's total capitalisation of about KD3.4bn – many of these shares were acquired to prevent the total collapse of the market after the Souk al-Manakh crisis – hardly contributes to a lively, free and open market.

Much as the Ministry of Finance and the Kuwait Investment Authority would like to divest themselves of a substantial portion of their local stock, there is unlikely to be an opportunity for this until the market regains some of its lustre, and that does not seem in prospect.

The exchange has been trying to nurture a re-growth in confidence. Its reporting requirements are among the strictest in the world. It has cautiously proposed that the scope of trading opportunities be extended in an effort to enliven the market.

It has, for example, suggested the introduction of mutual funds (unit trusts) and futures and options trading. *These proposals are being considered* by the Council of Ministers. But in the case of the latter, it is likely that Kuwait will move very carefully.

The Manakh crash continues to overshadow all of the exchange's activities. "People are still sceptical," said Mrs Wafa al-Rasheed of the stock market. "We have to be very careful."

One of the aims of the introduction of mutual funds would be to attract investments from the thousands of non-Gulf citizens who are working in Kuwait, especially those from Egypt, Jordan and Syria who lack investment opportunities at home.

The floating of these funds would get round the rule that prevents non-Gulf Co-operation Council citizens trading on the Kuwaiti bourse. Bankers believe that there is a substantial untapped market among expatriates in Kuwait for new investment vehicles.

The bourse, in the past year, has taken several other steps to reactivate the market. In March last year, it abolished floor and ceiling rules for share volume and price changes, but the exchange retained the right *to intervene to prevent stock* manipulation.

In another important development, it allowed transactions to take place off the floor of the exchange, provided the price and volume traded are posted on the exchange board at the conclusion of the deal. This move was designed to facilitate larger transactions.

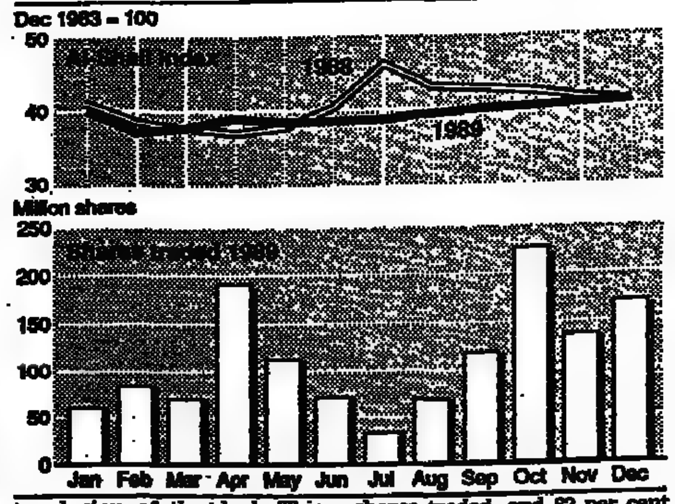
The bourse announced plans to re-organise the parallel market to encourage some 400 smaller closed companies with between five and 100 shareholders to apply for a listing as a step towards an appearance on the main board. Listing rules for these companies require that capital exceed KD1m, and that they publish balance sheets.

Trading on the exchange in 1989 continued to be heavily skewed towards the banking sector. The seven banks and one investment house listed accounted *for* 68 per cent of shares traded, and 82 per cent of the value of trading, compared with 55 per cent and 79 per cent respectively in 1988.

Trade in shares of the National Bank of Kuwait, the market leader, continued to dominate. NBK accounted for about 35 per cent of the total value of trading in all Kuwaiti shares among the 45 companies listed on the main board.

Until there is an improvement in the Kuwaiti economy, and local investors can be persuaded that their money would be better invested at home than abroad, it seems that the Alshall index will continue to move in more or less a straight horizontal line.

Kuwaiti shares



Inside the Kuwait Stock Exchange: where the value of shares traded last year fell by 42 per cent compared with 1988

Victor Mallet on foreign investment strategy after the BP affair

Reasserting central control

THE KUWAITI Government is reasserting some central control over its secretive and financially powerful foreign investment network.

A series of measures taken in the aftermath of the BP affair has culminated in the recall to Kuwait city of Mr Fouad Jaffar, general manager of the Kuwait Investment Office in London for the past 20 years. Four portfolio managers were recalled from London last year, and Mr Jaffar is due to leave in mid-March.

KIO officials and Kuwaiti economists see the reshuffle as a delayed reaction by Sheikh Jaber al-Ahmad al-Sabah, the Emir, to the embarrassing publicity over BP. The KIO acquired 21.7 per cent of BP, Britain's largest company, when the British Government decided to proceed with the sale of its remaining BP stake in spite of the October 1987 stock market crash.

The KIO and its powerful backer, Sheikh Ali Khalifa al-Sabah, the Oil Minister, portrayed the purchase of BP shares as a straightforward commercial operation. Britain, on the other hand, feared that an Opec state had used the KIO – which has tax-free status in London as a sovereign body – to buy British oil interests for some ulterior motive.

The KIO was forced to cut its holding to 9.9 per cent, but ended up with a substantial profit. "I don't regret it for one second," says Sheikh Ali. Kuwait, however, is such a wealthy player in the markets that the KIO and other Kuwaiti investment organisations are finding it difficult to maintain their traditional low profile, as the events surrounding BP and the KIO's foray in Spain have amply demonstrated.

Although annual figures vary according to the price of oil and the state of world markets, Kuwait is earning roughly half its income from its investments. They are thought to amount to more than $100bn. About two thirds of that belongs to the Reserve Fund for Future Generations, which receives a 10 per cent cut of the country's oil revenues and is largely managed by the KIO. Most of the rest belongs to the General Reserve, but 85 per cent of its assets are thought to be illiquid items such as loans to Iraq which may never be repaid.

The General Reserve has been drawn down for domestic spending. Some Kuwaiti officials have attempted to characterise the recall of Mr Jaffar as routine but in fact it stems from a dispute about the respective roles of the London-based KIO and the Kuwait-based Kuwait Investment Authority.

The KIA, headed by Mr Jasem al-Kharafi, the Finance Minister, was set up in the 1980s in a deliberate attempt to control the KIO. Instead it became a parallel investment body, managing the General Reserve and other assets around the world and often overlapping with the KIO, which is dominant in the important western markets and Japan. Kuwaiti investments span the globe, and include small stakes in almost every leading US company.

The KIA has begun to assert itself by changing senior staff, by insisting that the KIO refer more often to its nominal masters in Kuwait city, and by trying to define more closely the geographical areas of operation for the two bodies.

KIO officials argue that they have a record of professionalism and success, and that the KIA – which has managed its investments through banks and brokerage houses rather than acting directly like the KIO – is trying to stifle the KIO with a layer of bureaucracy.

Sheikh Ali, who is a member of the KIA board, may have lost this particular battle for the KIO's independence, and he dismisses talk of a power struggle as the work of conspiracy theorists. "We would never want to put bureaucratic strings around the investment process, whether it's from Kuwait or London," he says. "That's not the way to run investment, but again there are systems that have to be developed over time and people sometimes become uneasy for no concrete reasons."

Mr Jaffar was clearly reluctant to leave the London job. At the time of going to press no-one had been nominated to replace him, nor was it known what senior post Mr Jaffar would fill at the KIA in Kuwait.

Kuwaiti investors have always been quick to spot new opportunities, and the possible benefits and risks of eastern Europe and the forthcoming single European market to the West are much discussed in Kuwait. In February, Mr al-Kharafi was quoted as saying that eastern Europe was a rich field for investment and that talks were under way to enter into bilateral treaties. Berliner Bank formed a joint venture with the KIA last year to channel investment into medium-sized West German and other European companies.

Other organisations, private individuals and private companies are also involved. The Public Institution for Social Security is taking a stake in Ifil, the Agnelli family holding company in Italy. In Britain, the Kuwait Food Company bought 12 per cent of the newly-floated shares of Harry Ramsden's, the world's biggest fish and chip shop.

Success and scandal in Spain

THE Kuwait Investment Office (KIO) may have written itself into modern British corporate history by being forced to sell part of its stake in British Petroleum two years ago but *"The Office", as it is known,* has probably had a bigger impact on Spain than in any other country in the world.

Since its first tentative investment in a Spanish paper company in the mid-eighties, KIO has spent close to $2bn in Spain, making it Spain's biggest foreign investor.

The Kuwaitis have learned a lot about investing abroad. In Spain, KIO has had to suffer both public and official suspicion and disapproval, become tangentially involved in a colourful public scandal and sniffed the sweet aroma of financial success.

KIOs presence in Spain has never been in the low-key, quietly successful tone favoured by its bosses elsewhere. At times it has been almost raucous.

This is explained by the close friendship between two men – Mr Fouad Jaffar, recently relieved of his job as general manager of KIO in London, and Mr Javier de la Rosa, a thrusting, often controversial, Catalan financier. Mr De la Rosa helped KIO do its first deal in Spain.

It is probably a measure of the extraordinary trust between the two men that KIO, in spite of controlling Spain's biggest paper group, Torras Papel, its biggest chemicals company Ercros, and its biggest foods group, Ebro, has never opened an office in Spain or placed its people in the country.

Mr De la Rosa runs it all. He is 41 years old and is a highly unconventional figure in Spain. A well-connected former banker he was perfect for a newly-arrived, friendless, but rich KIO.

KIO came to the attention of the Government when, soon after associating itself with Mr De la Rosa, it began to take significant stakes in some of Spain's big commercial banks.

KIO, it was feared, was *simply out to make fast money* at the expense of local companies that could not defend themselves. Madrid eventually grew accustomed to KIO. The office, through Mr De la Rosa, has formed a close alliance with Banco Santander, one of the country's big commercial banks.

The Kuwaitis began to prove their long-term ambitions in the country in the paper industry in 1986 when they bought a struggling Catalan producer, Torras Hostench, and began to revitalise it. Debts were paid off and Torras' stock market listing was reinstated. In July 1987 the group launched what was then Spain's biggest rights issue (Pta55bn) and expanded.

Union Explosivos Rio Tinto, the pride of the Spanish chemicals industry, was in deep financial trouble when Torras, led by Mr De la Rosa, fell upon it in 1987. By mid-1988, after a fierce public defence by Union, Torras won control of the group and merged it last year with Cros (to become Ercros), a struggling Catalan fertiliser producer also swept up in the Kuwaiti wake.

A stockbroker, an insurance company and an engineering consultancy have been drawn into the Torras group, but Mr De la Rosa's biggest success was probably the purchase in late 1988 of Ebro, a sugar refiner that has since launched its own aggressive acquisitions programme to become Spain's biggest processed foods producer. Ebro is poised to merge with one of its main sugar refining rivals, Industrias Agricolas.

Mr Jaffar and Mr De la Rosa made one important mistake. In early 1988, they joined forces with two local entrepreneurs, Mr Alberto Cortina and Mr Alberto Alcocer (los Albertos), to form a portfolio company, Cartera Central, to buy a 12 per cent stake in what was then Spain's biggest commercial bank, Banco Central. The bank tried to defend itself by merging with a rival, Banesto, but the Albertos successfully ruined the deal.

That earned them and KIO-Torras the enmity of the Government, which liked the merger. In the midst of the battle for Banco Central, the marriage of Mr Cortina broke down, placing KIO in the full glare of some highly unsavoury publicity. Some people still believe it was this scandal, that finally led to Mr Jaffar's fall from grace as general manager.

KIO got out of Cartera Central last year, to concentrate on more conventional ventures. Mr Jaffar, however, has had one last word in Spain. In November 1989, prodded by Mr De la Rosa, KIO launched a $630m bid for the 60 per cent of the now huge Torras group that it did not own.

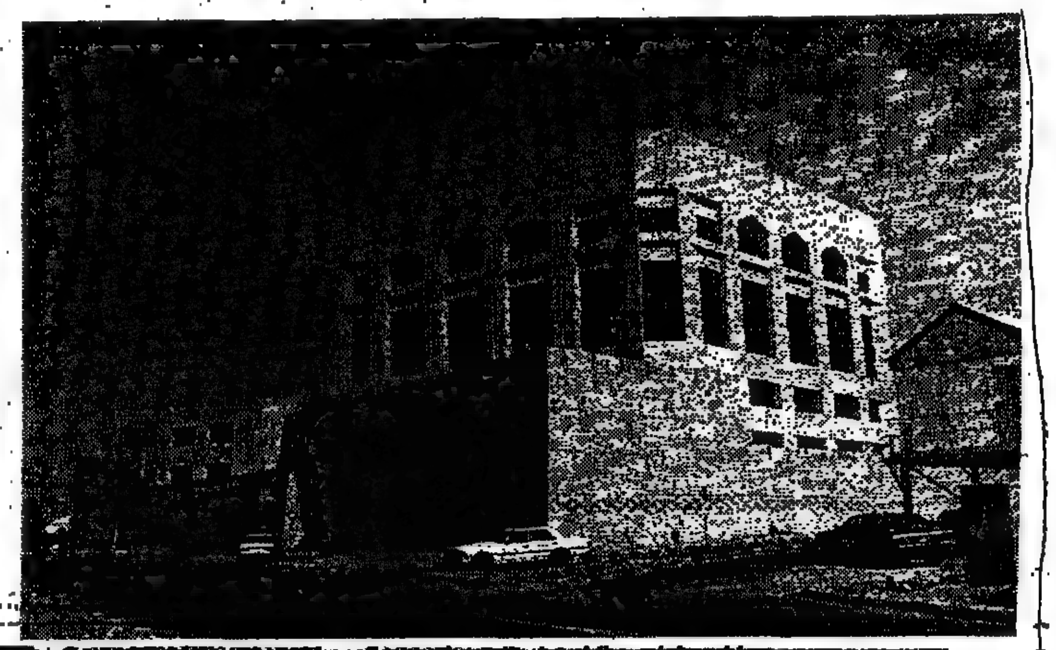
The bid worked and the Kuwaitis own – along with Mr De la Rosa, who has about 13 per cent of the group – Spain's biggest privately-held industrial conglomerate. Torras' profits in 1988 were close to Pta15bn.

Mr Jaffar's departure from KIO leaves The Office's future in Spain unclear. Mr De la Rosa is one of Spain's most flourishing businessmen and he will not necessarily have to depend on Mr Jaffar's replacement. It is, anyway, quite possible that the two friends will continue doing business in Iberia if Mr Jaffar decides not to return to Kuwait.

Peter Bruce

Banks and financial institutions are in the doldrums

Stalked by a debt monster



The Central Bank: continued beneficence has alleviated financial problems

IF ALICE had found herself in the hushed and air conditioned boardrooms of Kuwait's banks, instead of in Wonderland, she may have puzzled why institutions which have not escaped financial problems could continue to pay relatively generous dividends to their shareholders.

The answer, she might have been told, lay in the continuing beneficence of the Central Bank and in the concern of the Government to ensure that no Kuwaiti citizen should be inconvenienced by the impetuous lending policies of some banks during the calamitous 1982 stock market rise and fall.

The Kuwaiti financial sector is still wrestling with the debt monster unleashed by the collapse, eight years ago, of the Souk al-Manakh unofficial or "kerb" market. There is little sign that the problem is about to be resolved.

When the market collapsed after weeks and months of unrestrained speculation it left a trail of paper debts totalling KD27bn, five times the level of Kuwait's total bank credits.

The authorities have whittled down the debt to a hard core of KD2.2bn. This represents the liabilities of some 1,350 debtors registered under the Difficult Credit Facilities Settlement Programme (DCFSP) that was announced in August 1986 to to bring order to the chaos of the Manakh crash.

Less than half of the the more than KD2bn owed is backed by collateral, leaving a total deficit of KD1.3bn. The authorities announced in December that for debtors owing up to KD250,000 the portion not covered by guarantees and mortgages would be written off.

While this category represents 54.2 per cent of the number of debtors, the amount involved is a minuscule 2.5 per cent of the total debt. It is estimated that collateral covers about KD15m, leaving a shortfall to be forgiven of KD40m.

The authorities invited other debtors capable of bringing their indebtedness down to KD250,000, by presenting the banks with cash or any other assets, to come forward. Not surprisingly, few, if any, larger creditors have availed themselves of the offer in the reasonable expectation that debt forgiveness will gradually be extended to other categories.

In fact, some of those who come within the KD250,000 limit have indicated disinterest in settling, preferring to wait for more generous terms. Who is to say their opportunism will not be rewarded in the end.

Bankers are still wincing over a curious proposal that emerged from the Government's latest attempt to deal with the debt issue: that debtors be allowed to trade their collateral. Under this suggestion, debtors would be able to retain 20 per cent of the profits and capital gains of collateral traded, up to a value of KD120,000 with the remainder going to the banks.

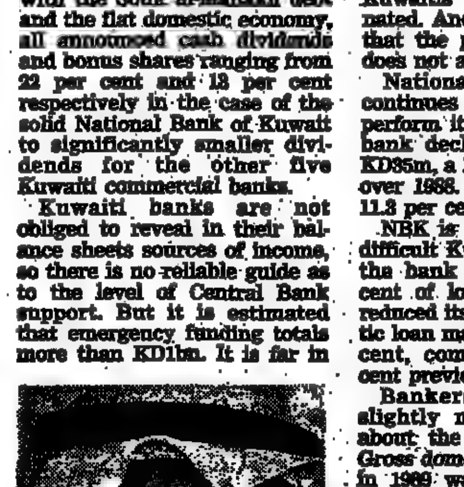
However, and this is where the proposal becomes curiouser still, if debtors lose money through trading, the value of their liabilities will not be be increased. The banks have expressed very little enthusiasm for the idea.

Critics of the debt settlement programme point out that the DCFSP continues to favour the larger and more reckless speculators, some of whom are closely linked either by blood or marriage to the ruling family. The debts of one are said to total KD275m.

The top quarter of the debtors, some 338 persons, of the 1,350 who have joined the settlement programme owe KD1.1bn after collateral has been deducted. Almost 100 of this top quarter owe KD800m.

Kuwait's banks, in spite of their continuing difficulties with the Souk al-Manakh debt and the flat domestic economy, all announced cash dividends and bonus shares ranging from 22 per cent and 18 per cent respectively in the case of the solid National Bank of Kuwait to significantly smaller dividends for the other five Kuwaiti commercial banks.

Kuwaiti banks are not obliged to reveal in their balance sheets sources of income, so there is no reliable guide as to the level of Central Bank support. But it is estimated that emergency funding totals more than KD1bn. It is far in



Salem Abdul-Aziz al-Sabah: Governor of the Central Bank

excess of the declared KD460m interest free deposits placed with banks to cover long-term rescheduling costs.

Sheikh Salem Abdul Aziz al-Sabah, Kuwait's youthful Central Bank governor, has in recent weeks again publicly raised the issue of the need to rationalise the banking sector. In an interview with the daily newspaper, al Qabas, Sheikh Salem said some banks and investment companies would soon be merged and will be supported by the Central Bank. He said there were too many commercial banks, and that the "perfect number" was three or four in place of the present six.

Leading candidates for merger are Burgan Bank and Bank of Kuwait and the Middle East (BKME). There is talk of a possible merger between Commercial Bank and one of the larger investment houses, but as a prominent banker said of the merger proposals: "How can you merge two companies with negative net worth? Negative plus negative does not make positive." A merger process would not be simple. Not only would the authorities be obliged to inject additional funding into the ailing institutions, there would also be highly sensitive issue of what to do about jobs held by Kuwaitis that would be eliminated. Another complication is that the present banking law does not allow mergers.

National Bank of Kuwait continues to handsomely outperform its rivals. In 1989, the bank declared net profits of KD35m, a 13.3 per cent increase over 1988. Assets increased by 11.3 per cent.

NBK is consolidating in the difficult Kuwait market. While the bank holds some 35 per cent of local deposits, it has reduced its share of the domestic loan market to about 19 per cent, compared with 22 per cent previously.

Bankers are speaking slightly more optimistically about the domestic economy. *Gross domestic product growth* in 1989 was an estimated 4.5 per cent in 1989 compared with a decline of almost 5 per cent the year before.

Kuwaiti monetary policy generally received high marks from bank economists. The introduction of a new interest rate structure in December 1988, that raised the discount rate from 5 per cent to 7.5 per cent, helped stem a worrying capital *outflow from Kuwait.*

The move had the effect of encouraging a shift away from foreign currency deposits to mainly dinar fixed deposits. Foreign currency deposits declined by 0.9 per cent between January and November last year, compared with a 26.2 per cent increase recorded in the same period in 1988.

The Central Bank's offering of public debt instruments continued to attract support. At the end of December, the amount outstanding of treasury bills and bonds had reached KD2.2bn against a recently revised ceiling of KD3bn. The secondary market in bills appears to be achieving some success. In the third quarter of 1989, bills traded amounted to KD638m compared with KD163m in the second quarter.

Latest credit *figures* underline the continuing slow growth in the Kuwaiti economy. Total credit facilities extended by Kuwaiti banks grew by just 1 per cent in the past year. Lending for the construction sector showed a marked decline, reflecting lack of new opportunities.

Capital market activity was depressed (see stock market), again reflecting lack of local confidence. But in a slightly encouraging development there was, for the first time since 1987, a resumption of private placements in the primary bond market.

The Kuwait International Investment Company led a KD20m domestic bond issue for the Commercial Bank of Kuwait. The issue, launched in October, 1989, have a maturity of five years and interest of 8½ per cent. In December, Kuwait Foreign Trading, Contracting and Investment Company issued certificates of deposit worth $75m on behalf of the Bahrain-based and predominantly Kuwaiti-owned Al Bahrain Arab African Bank (Albaab). In light of extremely limited opportunities at home in the overbanked local market dominated by NBK, all local institutions are seeking to extend their activities abroad. However, it is not all plain sailing as Europe tightens its banking rules in preparation for 1992. The Bank of England, *for example, has discouraged* deficit Kuwaiti banks involved in the DCFSP to establish London branches.

Kuwaiti commercial banks are, nevertheless, trying to reach out more to foreign markets. NBK, for example, which has branches in London, Bahrain, Singapore, Paris and New York, is expanding its activities in Asia Pacific a developing trend among Gulf financial *institutions.*

NBK is establishing a merchant bank in Indonesia to complement its existing operation in Singapore. The Kuwaiti International Investment Company, KIIC, is floating a Dragon Fund to invest in Asian equities. All Kuwaiti banks are competing for business among the large Asian contractors such as Daewoo, Daelim and Hyundai of Korea and Mitsubishi of Japan who, along with the Taiwanese, have gained a stranglehold on the larger projects market in the Gulf.

Kuwaiti bankers are looking enviously south towards Dubai where a liberal business regime has helped to produce a increased prosperity in the southern Gulf region. These bankers contrast the slow pace at which the Kuwaiti bureaucracy works with the dynamism of Dubai. There is a sense that opportunities are slipping away.

It seems that until Kuwaiti financial institutions can escape from the debt burden of the Manakh crash, and until the authorities decide whether they are genuinely interested in helping to enliven the local business scene, Kuwait's financial sector is destined to remain in the doldrums.

Tony Walker

Trends among MBAs

Growing attraction of entrepreneurial option

By Charles Batchelor

More than 70 MBA students crowded into the London Business School's largest lecture theatre one evening earlier this month for the launch meeting of the school's newly-formed Entrepreneurs' Network. The audience listened with rapt attention as several former MBA students recounted the thrills and the spills of setting up their own businesses.

A scene like this shows just how much times have changed over the past decade. Ten years ago most would-be Masters of Business Administration would have considered the idea of setting up on their own account to be a ridiculous waste of their training, talents and potential earning power.

MBAs, the management elite of the future, have traditionally seen their careers in terms of a rapid climb up the corporate ladder of large corporations or a senior job in international consultancy. Not for them what one speaker described as the "frightening detail of small business."

But, as the Entrepreneurs' Network evening demonstrated, things are beginning to change. "We could have sold tickets for that meeting many times over," says Ken Charman, a current MBA student and joint chairman of the network, which is intended to form links with former MBAs, venture capitalists and accountants.

Just over a decade ago 15 of the 100 MBA students at the LBS took the optional course on small business, says Catherine Gurling, director of the school's centre for enterprise and herself an MBA student in 1977/78. This year more than 150 of the school's 200 MBAs are following the New Venture Development option.

A recent survey of the MBAs in Gurling's year revealed that, despite the unfashionable nature of small business when they were students, no fewer than 30 per cent were running their own business. High levels of interest have been recorded at business schools from Harvard in the US to INSEAD near Paris.

William Gordon set up Wentworth Management Consultants a year ago after 11 years spent working for large consultancies such as Hay Group in the US, France and Britain.

Wentworth, which comprises Gordon, a partner and a secretary, earned fee income of £300,000 in its first year. Gordon, who is 38, says it has given him a higher standard of living than he enjoyed working for others; more spare time to enjoy his love of travel; and a greater degree of job satisfaction. His only regret is that he did not make the move to running his own show earlier.

MBAs face a number of barriers to starting up in business on their own or to working in an established small firm:

● They have usually worked for large employers before deciding to take an MBA and the atmosphere of most business schools is dominated by a big business mentality.

"MBAs are fired-up people who tend to be very competitive and who like to be seen as succeeding," explains Anthony Birkbeck, an INSEAD MBA who set up in business on his own account 18 months ago.

"Everyone is aware of where everyone else is going at the end of business school so if you go off and set up a small company you won't get the acclaim of your peers," he says.

Birkbeck, now 32, did not plan on going it alone when he spent nine months at INSEAD in 1986/87. He had spent six years in international banking before doing his MBA and the following 12 months flying around the world for the consultancy arm of accountants Spicer & Oppenheim.

But disillusionment with constant travelling and a chance meeting with Paul Cunningham, who had spent several years in investment banking, led to the two developing their ideas for a business of their own. They set up Magnificent Mouchoirs in Battersea, south London, to design and produce men's printed handkerchiefs. It made a small profit last year on sales of £200,000.

● MBAs have frequently had to borrow heavily to finance their studies and find it difficult to accept the lower income which often comes with starting up on your own.

Birkbeck had borrowed £10,000 from his previous employer to finance his MBA but repaid that from his Spicer & Oppenheim earnings before deciding to set up his own business. Anne Dickson borrowed £7,500 to finance her MBA course at Cranfield School of Management and had to repay this out of the first year's earnings of her consultancy, Record Ability, which advises on the cataloguing and storage of commercial documents.

Once they have set up on their own, the MBAs may also have to accept that their earnings in their first years of independence will be lower than they could have got in a large firm. Birkbeck and Cunningham, aged 29, pay themselves £12,000 a year each at Magnificent Mouchoirs, but calculate that this represents a salary drop of £100,000 between them compared with what they were earning with their previous large employers.

The hope of MBAs starting in business is that the combination of salary and capital gain which they make from their business will eventually match any big company salary they could have earned. "If the business goes well they should reach parity in three years," says Gurling.

● An MBA course generally teaches students to be risk-averse whereas running a small business involves a higher than normal commercial risk. "An MBA degree is almost designed to put people off setting up in business by warning them of all the problems," says Paul Burns, professor of small business development at Cranfield School of Management.

The big business world for which most MBAs are heading compounds this aversion to risk. "You are brainwashed by headhunters and employers who say it is essential to get big names like McKinsey or Du Pont on your CV," comments William Gordon.

Paul Cunningham (left) and Anthony Birkbeck: setting up Magnificent Mouchoirs meant £100,000 less in salary

Ashley Ashwood

So why, in the face of all these obstacles, are increasing numbers of MBAs opting for a business of their own?

Their motivation is similar to that which drives many managers working for large businesses to break free – a desire to have greater control of their own lives.

Another reason is that more MBA students than hitherto come from a small business background in the first place. "More of our students now come from family businesses or have already started a business of their own," says Paul Moran of Durham University Business School's small business centre.

In addition, rapid change in many industry sectors and the shake-out among financial services companies has meant there is less security in working for a large company.

Once the individual decides to go into business on his own account will his MBA prove of any practical value? "An MBA gives you credibility but in terms of the day-to-day decisions and business skills it is not very relevant," says Anthony Birkbeck. "An MBA teaches you about swaps and options, acquisitions and divestments but not about small business book-keeping systems."

Anne Dickson, whose business achieved turnover of £80,000 in its first year, says her MBA training had drummed into her the need to market herself but in the early stages she lacked the time to put theory into practice.

"I worry that most courses break teaching down into the separate management functions when what you need for small businesses are integrated, inter-functional skills," comments Allan Gibb, head of Durham University's small business centre.

More and more business schools are adding optional courses on small business to their MBA programmes or giving students practical experience of working with small firms. Durham University has even considered creating a special qualification, an MBE or Master of Business Enterprise.

"It is quite an indictment of the way we go about things that enterprise is an elective subject rather than part of our core curriculum," comments Cranfield's Paul Burns.

Despite the drawbacks of their training, MBAs who do set up on their own appear to have no regrets. "I wouldn't swap it," says Birkbeck. "Going on a business trip becomes exciting whereas before I would say: 'Not New York again.' Now any small triumph is enough to have us jumping up and down. The numbers may have been bigger before but they meant much less."

In brief...

■ The chief executive plays a crucial role in the growth of any business yet most are too busy to devote much time to improving their management skills. They are also reluctant to take the advice of academics or of management "cook books," preferring to rely on sharing their experiences with their peers.

To overcome these barriers the CBI has produced a series of videos* and a booklet, under the title of The Edge, *highlighting the management* styles of five top executives who have given their companies an edge over their rivals.

"The contribution of senior management to our economy is still not properly appreciated," said John Banham, CBI director general at the launch. The five chief executives selected were not exceptional performers but were good examples of how British management had improved over the past 10 years, he added.

The videos show a variety of management styles applied to differing situations and are intended to let viewers draw their own conclusions. The target market for the videos is the chief executives of the 3,000 companies with sales of £1m or more which have significant export business.

The chief executives portrayed range from Ian Harris of Bonas Machine Company of Gateshead, a private company with sales of £23m, to Robin Miller of EMAP, a listed company with turnover of [illegible].

**Available price £700 + VAT for members; £840 + VAT for non-members, + £19 p&p, from CBI, tel 01-809 4799.*

■ Signpost Spain is a new service established by the London Chamber of Commerce to help British businesses break into *what is still an unfamiliar* market for many firms. A specialist from the chamber assesses a company's suitability for the market, carries out market research, arranges meetings and accompanies the businessperson on his trip.

The cost of the service comprises an introductory fee and a percentage of the value or orders won over the first 12 months. Contact the chamber on 01-248 4444.

■ Going Public?, a two-day conference which looks at the reasons for a flotation, how to prepare for such a move, the tax implications and the alternatives will be held in London on April 3 and 4.

Contact BRI, IBC House, Canada Road, Byfleet, Surrey KT14 7JL. Tel 01 637-4383.

■ Many of Britain's small businesses are cushioned against rising interest rates because they are borrowing at fixed rates, according to National Westminster Bank. About 700,000 small companies are at least partially protected by such lending agreements while one-third of NatWest's small business loans are at fixed rates.

■ Durham University Business School has launched a Certificate in Business Counselling to provide a professional qualification for those working with new and existing small firms.

After a one-week residential course participants attend occasional one and two-day workshops throughout the year in subjects such as interpersonal and communications skills, analytical and problem-solving skills and knowledge of the business support environment.

The first programme starts in September and costs £2,220 though bursaries may be available for up to 50 per cent of the fee.

Contact Ruth Ratcliffe, DUBS, Mill Hill Lane, Durham DH1 3LB. Tel 091-374 2227.

A lot of local assistance

Local authorities play an important role in helping businesses in their areas though businessmen are often unaware of the range of services on offer or are unable to track down the right source of assistance.

These findings emerged from a survey* of more than 240 companies by accountants Coopers & Lybrand Deloitte. The responses showed a far more positive view of the role of the local authority among companies than the oft-portrayed antagonistic relationship.

However, the survey, which looked at the role of other sources of assistance, also revealed a widespread lack of co-ordination of business support at a local level. It recommended that the new Training and Enterprise Councils (TECs) should give this a high priority.

The survey showed that 81 per cent of respondents thought their local authority had an important role to play in supporting economic growth. Businesses said their highest priorities for assistance were financial help (mentioned by 26 per cent), business information and advice (17 per cent), premises and training (16 per cent each).

Local authorities were the leading provider of assistance in these four areas but more than one-third of businesses questioned said the service provided was not useful. Business and local authorities must work more closely together to target needs and set priorities while the authorities must publicise their services more effectively, the report recommended.

Eighty-seven per cent of businesses said there was no single point of reference for business support in their area, *suggesting a need for more* effective signposting.

The need for training grew as businesses expanded and it became more cost-effective to arrange formal training schemes. Companies employing between 11 and 50 employees were most likely to need help in finding premises.

The most common providers of financial assistance were the clearing banks (used by 66 per cent of respondents), the Government's Enterprise Initiative (22 per cent), merchant banks (21 per cent) and local authorities (20 per cent).

In the area of business information and advice, chambers of commerce were used by 45 per cent of businesses, followed by local authorities (32 per cent), universities and polytechnics (31 per cent) and local enterprise agencies (22 per cent).

Private sector agencies were the leading providers of training (37 per cent), followed by Industry Training Boards (33 per cent), universities and polytechnics (24 per cent) and the Training Agency (23 per cent).

**Local Support for Growing Businesses. Commissioned by Business in the Community and the CBI. Available from John Clarkson, Coopers & Lybrand Deloitte, PO Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL. Tel 01-248 3913. Free.*

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We are also seeking licence to manufacture engineering components for U.K. and European markets.
Family owned company in the North East of England.
Write Box F9634, Financial Times, One Southwark Bridge, London SE1 9HL

SPACE FOR NEW OPPORTUNITIES?

Enterprising firm of business administrators with international clients in many diverse activities have to move due to redevelopment in June 1990. We need 600-750 sq.ft. in Central London.

May be of interest to business or professional firm who could occupy your spare space to mutual commercial/professional advantage.

Please contact Michael McHatton FCIS, 46 Grafton Way, London W1P 5LB - phone 01-387 2888 - fax 01-388 4902

BUSINESS OPPORTUNITY

U.S. construction equipment distributor is seeking an equity partner. The company is profitable and has been in business for 70 years. 20 million people territory. Eight major product lines. Please reply to: Manfredi & Associates 1110 Lake Cook Road, Suite 145, Buffalo Grove, IL 60089 USA (Fax number (708) 215-0455)

STANSTED ENGLAND

Small courier/taxi based plc with freehold acre and 300 sq.m. offices by AIRPORT entrance seeks joint venture activities with interested Company.
Kwickcars plc, Start House, Start Hill, Bishop's Stortford, CM22 7TG. Fax 0279 508198

CORPORATE FINANCIAL ADVISORS Offer a wide range of financing options/solutions to growing businesses. Brochure from INTEGRATED CORPORATE RESOURCES, 20 Britannia Place, Bath Street, St Helier, Jersey C.I. Tel/Fax 44.245.460173 or 47.2.506978.

DEBENTURE SEATS for sale Cardiff Arms Park (50 years) best seats. Tel (0446) 736046 office hours.
ORGANIC FERTILISER FACTORY sale or lease, dilapidated condition, 8000 sq.ft. on acre +. Rural site Moon Valley, Hants. Development potential. 0243 574220

DRAKES

CATERING TRADE MARK FOR SALE

Class 42 Trade Mark for use of the name Drakes and Duck Logo for bar, cafe, restaurant and catering services is available for sale.
In addition the following Limited company names could be transferred: Drakes Restaurants Ltd, Drakes Caterers Ltd, and Drakes Vintners Ltd.
For further information contact the Company Secretary, Tilney House, 5 Tilney Street, London W1Y 6JL.

STRAPPED FOR CASH?

Are you sure? Might there not be more than enough locked away in the form of exclusive stocks? Did burgeoning business compel premature surrender of personal control of planning and buying? Why not discuss with ex-FMCG MD who has been in and freed himself, and since others, from similar traps.
Tel: 0277 211150

Mayfair, London, W1

A truly cost-effective alternative to leasing a full-time office. Our Business Identity Plans are designed to suit your Company's need to maintain a high profile office representation at a reasonable cost. For full details 'phone or fax Nightingale Secretariat, 3 Berkeley Square, London W1X 5HG. Tel: 01-629 6116. Fax: 01-491 4811.

PARTNER WANTED

North-West independent Publisher with 150,000 distribution newspaper seeks partner.
Write Box F9629, Financial Times, One Southwark Bridge, London SE1 9HL

Short term finance for long term growth.

Working capital finance for stock and work in progress.
For details contact M. Prizant,
CHURCHILL MERCHANTING LIMITED
Churchill House, 136 Buckingham Palace Road, London SW1W 9SA.
01-730 8428

CAPITAL GAINS TAX ROLL-OVER

If your 3 year time limit or tax payment date is nearing and you do not wish to reinvest, then land/property or a replacement business at present, a viable alternative exists enabling you to retain the bulk of your capital.
If you have disposed of qualifying assets, not shares, for £500,000+ please write:
Box No. H5398,
Financial Times, One Southwark Bridge, London SE1 9HL.

FINANCE DIRECTOR

Expanding? Need good financial man? FCA, 15 years in growth Co.s, available full or part-time. Good with people, profits, banks, companies. Thames valley area plus.
Write to box F9653, Financial Times, One Southwark Bridge, London SE1 9HL.

FUNDS AVAILABLE

for expanding businesses and selected start-ups. Investors have funds and skills to invest. Send business plan to or
Contact: VCR, Boston Road, Henley, Oxon. RG9 1DY Tel. (0491) 579999
Fimbra

PATENTED COSMETIC PRODUCT - U.S.

Company seeks distributor/manufacturer/licensee for patented all in one travel razor with aerosol foam in handle.
John Buser, Shave Away, Inc.
619 223 2154
Fax 619 223 9690(USA)

RACE HORSE TRAINER

requires owner for fancied Grand National runner. For Details.
Tel:056 886/253.

EQUITY INTEREST FOR SALE

Substantial Minority Shareholding in Company active in Soviet Market Place available. Injection of working Capital will be required.
Write Box F9642, Financial Times, One Southwark Bridge, London SE1 9HL

U.K. PUBLIC COMPANY CHAIRMAN (Rtd)

Age 52. Living in U.S.A. from 1984, great knowledge of U.K. and U.S.A. business practices, would like to take on assignment from UK companies to promote their products and services throughout U.S.A. presently residing in Florida.
Write Box F9641, Financial Times, One Southwark Bridge, London SE1 9HL

VENTURE CAPITAL NEEDED NEW CENTRAL LONDON LEISURE ATTRACTION

Institutional Venture Capital of up to £1.5m needed to fund a major themed leisure attraction in a high visibility prestige central London site. Projections suggest high returns. For further information please write giving full details of your organisation.
Write Box F9645, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

BUSINESSES FOR SALE

MAKINS OF BRISTOL

The business and assets of Clanbright Industries Limited, trading as Makins of Bristol, are offered for sale as a going concern. The Company is engaged in the manufacture of rubber mouldings, subcontract engineering and light assembly. Employing approximately 36 people, the company operates from a Freehold Property in Kingswood, Bristol. Features are:
- Freehold Property 7,000 sq. ft.
- Rubber/Engineering mix of work.
- Skilled and experienced workforce.
- Turnover approx £800,000.
- Order book approximately £180,000.

For a brochure or further information, please contact Roger Pearce or the Joint Administrative Receivers, David Bird and Robert Ellis at the address below.

Touche Ross
Queen Anne House, 69/71 Queen Square, Bristol BS1 4JP.
Telephone: (0272) 211622. Telex: 44365 TRBRIS G. Fax: (0272) 292801.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

THE JOINT ADMINISTRATIVE RECEIVERS
PETER S DUNN FCA & DAVID WOOD FCA
offer for sale the business, assets and goodwill of:-

WHIZZKIDS (COURIERS) LIMITED

The company operate a nationwide parcel delivery, distribution and courier service from seven depots. There is a fleet of fifty vehicles. Current turnover is £1.75 million.
The workforce and client list are excellent and there is significant room for expansion.
For further enquiries:

LATHAM CROSSLEY & DAVIS
INSOLVENCY SERVICES
39 Park Street, London W1Y 3HG
Tel (01) 408 1868 Fax (01) 629 9179

CHANTEGRILL (UK) LIMITED
(In Administrative Receivership)

An opportunity exists to acquire two restaurants in exclusive central London locations.
- 200 seat restaurant plus office space at Foubert's Place, W1.
- 80 seat restaurant in the new Chelsea Harbour development.
- Both recently refurbished leasehold properties.
- Modern, fully equipped kitchens.

For further information, contact Chris Morris or James Money at the address below.

Touche Ross
55/57 High Holborn, London WC1V 6DX.
Tel: 01-405 8799 Ext 231. Fax: 01-831 2628. Telex: 261296 TRCHAN G.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

FOLLOWING THE PURCHASE OF THE COMPLETE CONTENTS OF A LARGE PROCESSING PLANT COVERING 12 ACRES IN LONDON,

TANKS & VESSELS INDUSTRIES LIMITED

HAVE FOR SALE.

74 Vertical Stainless Steel Tanks from 20,000 to 130,000 Litres
65 Horizontal Stainless Steel Tanks from 20,000 to 136,000 Litres
All fully transportable through out the U.K.
Pipework Valves
Pumps
Heat Exchangers + Associated Ancillary Equipment.

Tanks & Vessels Industries Limited, Plumtree Farm Industrial Estate, Bircotes, Doncaster, South Yorkshire, DN11 8EW.
Tel: 0302 711056 Fax: 0302 710802
SITE TELEPHONES
Mobile Phone: 0836 641306 Fax: 01-247-2920

Cornerjoints Ltd. Mr. Timber Ltd.

The business and assets are offered for sale of this packer and wholesaler to the DIY trade.
- Order book
- Leasehold warehouse, packing area and office at Markyate, Hertfordshire
- Experienced workforce
- Trade name Multi pack

For further information, please contact the Joint Administrative Receiver, T.C. Carter at Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU.
Tel: 01-928 2000. Fax: 01-928 1345.

Ernst & Young
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

ESTABLISHED CONTRACT HIRE COMPANY FOR SALE

Good and expanding customer base.
Write Box H5953, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

CHELTENHAM

Restaurant/Coffee Bar and Delicatessen.
Fashionable and stylish area.
High quality throughout Developed with an eye to the unusual
Leasehold Premises
Up to 60 covers inside, 30 outside.
Turnover to £200,000

Further details
H.R. GRANT & ASSOCIATES
Victoria Square, Droitwich WR9 8DE
Tel. (0905) 778155

BUSINESS FOR SALE

Wine merchants in one of North London's busiest locations. Established over 10 years. Premises comprising of double unit with planning consent for conversion of upper part into 5 self-contained flats. Takings App. £33,000 p.w. Would consider sale of freehold.
Write Box H5949, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Nice Little Earner

Since 1974, I have been editing and publishing a popular quarterly on language which grosses about £80,000 a year. Printing, mailing, and fulfilment cost about £20,000. Advertising comes to another £20,000. Add about £15,000 for miscellaneous overheads and you are left with about £25,000 gross profit. If you know something about language and linguistics and enjoy writing and editing, you should explore the feasibility of buying this international periodical. The price is £100,000 cash.
Write Box H5916, Financial Times, One Southwark Bridge, London SE1 9HL.

COMPUTER DEALER FOR SALE

IBM and Compaq authorised computer dealer for sale. Prestigious Inner City showroom plus large service facilities. Company specialises in networking and maintenance contracts. T/O £8m.
For more information write Box H5920, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE THE BUSINESS AND ASSETS OF JOHN VARLEY (IRON FOUNDRY) LIMITED

The Joint Administrative Receivers offer for sale as a going concern the business and assets of John Varley (Iron Foundry) Limited:
- Freehold premises 43,000 square feet
- 2.4 acres industrial land
- Fully equipped iron foundry
- Substantial forward order book
- Located in St Helens, Merseyside

For further information contact:
Alan Katz or Jill Barker
Arthur Andersen & Co.,
Bank House
Charlotte Street
Manchester
M1 4EU
Tel: (061) 200 0297
Fax: (061) 228 1421

ARTHUR ANDERSEN & CO.

Specialist Outerwear/Workwear Manufacturer
(In Receivership)
For Sale

- ★ Location — East Midlands.
- ★ Products — Specialist garment manufacturer.
- ★ Turnover — Approx. £700,000 per annum.
- ★ Premises — Leasehold — 10,000 sq. foot.
- ★ Employees — Skilled work-force — 47 persons.
- ★ Substantial Order Book.

For further details please contact: Lindsay Denney or Nick Dargan at Clumber Avenue, Sherwood Rise, Nottingham NG5 1AH. Tel: (0602) 607131

SPICER & OPPENHEIM & PARTNERS
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

The assets and business of Sandbourne (Manufacturing Jewellers) Limited are offered for sale.

Jewellery Manufacturer

- Two freehold/one leasehold units at Hockley, Birmingham comprising 7,000 sq ft of modern factory premises.
- Turnover £1.5 million.
- Full range of masters and modern machinery.
- Skilled workforce.

Interested parties requiring further information should contact Adrian R Stanway, Joint Administrative Receiver, Cork Gully, 5 Town Quay, Southampton, SO9 1ZS.
Tel: 0703 632770 Fax: 0703 231028 Telex: 477755

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.
Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand in the UK, which will merge with Deloitte Haskins & Sells, in the UK on 29 April 1990.

Cork Gully

Businesses for Sale East Midlands Franchised Car Rental Contract Hire

- ★ International Franchised Name.
- ★ 8 outlets — recently refurbished, freehold and leasehold.
- ★ Turnover — Car Rental £2m+ Contract Hire £1m+
- ★ Recent significant growth
- ★ Established customer base
- ★ Approximately 80 employees

For further details please contact: John Wilson, Lindsay Denney or Sue Lewis at Clumber Avenue, Sherwood Rise, Nottingham NG5 1AH. Telephone: (0602) 607131.

SPICER & OPPENHEIM & PARTNERS
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

Fashion Watch Retailer

The business and assets of Watchbox Holdings PLC are offered for sale as a going concern by the Administrative Receivers.
Principal assets include:
- 12 leasehold locations throughout the UK, the majority in London and the S. East
- 2 in-store concessions
- Turnover approximately £2m p.a.

For further information, please contact the Joint Administrative Receiver: Jason Elles, Ernst & Young, Wessex House, 19 Threefields Lane, Southampton SO1 1TW. Tel: 0703 230230. Fax: 0703 227409.

Ernst & Young
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

BUSINESSES FOR SALE

SHOPFITTING CONTRACTORS
— CREWE

The Joint Administrative Receivers of Reflect Contracts (Shopfitting) Limited offer the business for sale as a going concern, comprising:—

- Fully equipped leasehold premises of approximately 7,500 sq. ft.
- Turnover £3 Million.
- Plant, equipment, motor vehicles, etc.
- Stock and work in progress.

For details, contact the Joint Administrative Receivers, A. J. Galloway and S. M. Quinn at BDO Binder Hamlyn, The Rotunda, 150 New Street, Birmingham, B2 4PD. Tel: 021 643 5544 Fax: 021 643 4665

BDO BINDER HAMLYN

Chartered Accountants

BDO Binder Hamlyn is authorised to carry out investment business by the Institute of Chartered Accountants in England and Wales.

Marble Arch Television

the television movie and mini-series production arm of ITC Entertainment Group is offered for sale.

The Los Angeles network production operation, London co-production office, many script commitments and international co-production arrangements are included.

For information contact:
Alan Buggy or Anita Legault
Samuel Montagu, Inc.
156 West 56th Street
New York, NY 10019
Telephone (212) 969-7253
Fax (212) 969-7254

EEC Approved Beef Boning Plant

The Administrative Receivers offer for sale the business and assets of Berkshire Meat Co. Limited, trading from 1.3 acre site in central Reading.

- Freehold premises available
- Turnover £10m p.a.
- Capacity 1,200 sides per week
- Extensive customer list
- Skilled workforce of 60

For futher details please contact: Jason Elles, Apex Plaza, Reading RG1 1YE. Tel: 0734 500611. Fax: 0734 507744.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

FOR SALE BY PRIVATE TREATY

By Direction of the Owner

NATIONAL HOTEL GROUP

Locations: Kent, Somerset, Lancs, Shropshire and Greater Manchester

All with Functions Facilities — 269 Bedrooms
Great Potential
Offers in the Region of £18.75m Invited
Further details from John Russell, FSVA

EDWARD SYMMONS & PARTNERS
26 Clare Street, Bristol BS1 1YA
Telephone: 0272 273454
HOTEL DEPARTMENT

Fox Leisure

For Sale as a Going Concern
A Beautifully presented Chalet Park in the Southern Lake District
30 Letting Chalets in Woodland Setting
Mansion House with Bar, Restaurant etc
Manager's Flat, Let Cottage
Indoor Heated Pool, Sauna, Solarium
Planning Consent for 11 more units 26 acres
£1.2 million — Early Completion

041-333 0456

Humberts

By direction of Oxford Regional Health Authority

Oxfordshire/Moulsford

Wallingford 5 miles, Didcot 10 miles, Reading 11 miles, M4 (J12) 11 miles.

A distinguished Manor House with frontage to the River Thames.

Lot 1: *Moulsford Manor* Suitable for hotel or restaurant development subject to planning consent. Approximately 10,000 sq.ft. internal floor area. In all about 6½ acres.
Lot 2: *Paddock* An area of permanent pasture amounting to about 4 acres.
Lot 3: *The Lodge* Entrance lobby, 2 reception rooms, 2 bedrooms, kitchen, bathroom, garden.

Freehold for Sale by Private Treaty as a whole or in 3 lots

For Details Contact: Mark Rimell or James Devitt
Humberts Chartered Surveyors
25 Grosvenor Street, London W1X 9FE Tel: 01-629 6700

LOCK DISTRIBUTION BUSINESS FOR SALE

Highly profitable company with good trading record and rapidly expanding profits available for outright acquisition, potential for substantial growth available.

For further information Write Box H5914, Financial Times, One Southwark Bridge, London SE1 9HL.

The Joint Administrative Receivers offer for sale the business and assets of

[illegible] Foods Limited

- "Speciality" long life luxury food manufacturer.
- Unique production process.
- Two leasehold premises of 7,500 square feet and 2,400 square feet in Ivybridge, South Devon.
- Annual turnover of £700,000.
- Established customer base.
- Skilled workforce of 12 employees.

For further information please contact C J Barlow and R W Birchall at Cork Gully, Mayflower House, Princess Street, Plymouth, Devon, PL1 2HE.
Tel: 0752-[illegible] Fax: 0752-673514

Cork Gully is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand for the UK, which will merge with Deloitte Haskins & Sells, in the UK on 29 April 1990.

Cork Gully

TAYLOR Corporate

NURSING/REST HOMES FOR SALE

1. Superb village retirement complex, Southern England. 42 bed purpose built N.H., 39 bed RCH plus 52 apartments for the elderly. Detailed planning for further development. Price on application.
2. North East England based group - 196 beds in 5 units. High occupancy levels and excellent profits. Price on application.

Full details from June Willoughby, Taylor Corporate, 01-390 8748.

A member of the Business Sales Group plc

BUSINESS ACQUISITION OPPORTUNITY

Circa £350 to £380K

We are privileged to offer a unique opportunity to acquire a healthy, growing business, with property, in the imported household furniture market. High quality, up market product range with proven appeal across a broad spectrum.

The package is comprised of the business, good will, stock to approximately £20k and beautiful listed grade 11 country house showroom (1,500 sq.ft. approx) set in its own 1/2 acre plot.

This is an ideal run-from-home business which currently shows over 40% gross profit margin with plenty of scope for expansion.

Principals only, please write or telephone in the first instance:

Adbusiness
23 Reynes Drive, Oakley, Bedford MK43 7SD
Telephone: (02302) 3873 (answering m/c)

FOR SALE
GARDEN BUILDINGS BUSINESS

South-East based manufacturer supplying well-established branded aluminium conservatories, greenhouses and accessories *through retail garden trade.* Turnover £1.5 million. Could be relocated.

Write to Box H5936,
Financial Times,
One Southwark Bridge,
London SE1 9HL.

A MAJOR OPPORTUNITY IN THE HOME CARE MARKET

- To acquire an established Franchised Agency situated in the South Eastern Home Counties.
- Turnover in excess of £200K with good profits and excellent opportunities to achieve substantial growth.

Principals only apply enclosing C.V. to Michael Way, Centre for Franchise Marketing, 26 High Street, Merstham, Surrey RH1 3EA. Telephone 07374 4211. Fax 07374 4969

MECHANICAL/ELECTRICAL ENGINEERS - BRISTOL -

Experienced in water, sewage, leachate treatment plant - design, manufacture, install, commission - with £200,000 orders & same again at tender stage - mostly for Severn Trent - needs purchaser to finance active and profitable future.

PRINCIPALS ONLY TELEPHONE
0934 833613 (Work) 0272 426333 (Home)

SUPPLIER OF MADE TO MEASURE WORKTOPS

For sale as a going concern. Well equipped factory located near Southampton. Skilled workforce. Excellent order book. Patents for exciting and potentially profitable new product line. Turnover £1.3 million with potential for substantial improvement.

Apply to the Administrative Receiver:
RICHARD FLOYD
FLOYD HARRIS
9 Beaufort Road
KINGSTON UPON THAMES
Surrey KT1 2TH Telephone: 01 547 1888
Fax: 01-547 3255

NORTH EAST CARE GROUP

Currently 170 beds with planning permission for 126 bed extensions. 5 further sites under development for 270 beds. Eventual 566 bed total.

Seriously interested parties with substantial funds available please write to Box H5937, Financial Times, One Southwark Bridge, London SE1 9HL.

MARLING SALES LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

THE BUSINESS AND ASSETS OF MARLING SALES LIMITED ARE OFFERED FOR SALE AS A GOING CONCERN.

THE COMPANY IS INVOLVED IN IMPORTATION AND DISTRIBUTION OF BEAUTY CARE AND COSMETIC ACCESSORIES

- TURNOVER IN THE REGION OF £1.2M
- GOOD CLIENT BASE
- CURRENT ORDER BOOK AVAILABLE
- OWN BRAND NAMES

FOR FURTHER DETAILS CONTACT THE ADMINISTRATIVE RECEIVER:-

L.I. GERRARD F.C.A.
LAURENCE GERRARD & CO.
Chartered Accountants
ADAM HOUSE, 14 NEW BURLINGTON STREET LONDON W1X 2BU
Telephone: 01-439 6791/6 Fax: 01-434 2812 (GRP 2 & 3)
Ref: TW/40091

DIVERCO
Sell Companies Nationwide

SELLERS and BUYERS
Contact in confidence:
DIVERCO LTD.
4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303

FOR SALE

PCB business in West Midlands with sales circa £250K. Business is based on leasehold premises and employs 17 people.

Write Box H5915, Financial Times, One Southwark Bridge, London SE1 9HL

PROCESS CONTROLS SYSTEMS COMPANY FOR SALE

In - house developed software, assembly facilities. Clients include food, brewing, chemical industries. Based South Coast. T/O around £1 million. No longer fits parent Group strategy.

Write to Box H5952, Financial Times, One Southwark Bridge, London SE1 9HL.

PRINTING BUSINESS FOR SALE

Long established printing and packaging company based in Midlands with sales in excess of £1.3 million for sale due to diversification by parent group. Excellent premises with low rent and considerable potential for expansion, experienced management and a good order book. Tax losses available. Principals only.

Write in confidence to:- box H5943, Financial Times, One Southwark Bridge, London SE1 9HL.

WHOLESALE WINE BUSINESS
East Anglia

FOR SALE

Long established business with excellent reputation and trading record. Spacious and well located leased premises. Offers around £190,000 for Goodwill of business and lease with stock at valuation.

Write to box H5928, Financial Times, One Southwark Bridge, London SE1 9HL.

Snooker Business For Sale

Freehold building asset and trading company returning profits of *around* £30,000 available for acquisition, business based in Leeds/Bradford area, now well into second year and expanding. Offers in the region of £300,000 required, For details,

please write to Box H 5933, Financial Times, One Southwark Bridge, London SE1 9HL.

PRINTING BUSINESS FOR SALE

Owners of a well established business with an excellent reputation, are considering the possibility of selling. Trade canvassing from a first class clientele (no reps.) in over £2.5m. The premises are freehold, the plant modern and well maintained, and the staff, loyal and long serving.

Write Box H5927, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

Private Investor

with international connections wishes to acquire small profitable import/export business preferably with a manufacturing base in the U.K. bias towards aerosols and like products. Please supply details to:

Chartered Accountants, Fisher Conway Freeman & Co, Chancery House, Chancery Lane, London WC2 1SF - fax 831 8935

ELECTRICAL CONTRACTORS

South Wales Contractors £500,000 Profits Per Annum N.I.C.E.I.C. and E.C.A. Approved. Excellent Reputation. FOR SALE

Write Box H5926, Financial Times, One Southwark Bridge, London SE1 9HL.

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circa £700,000 per annum maintainable pre-tax profits

100% of private limited company, established 1974, showing steady growth and with sound track record, is available for sale.

Net assets passing - £700,000.

Suit construction or property group seeking to expand by acquisition.

Principals only, write to Box H5985, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Well established carrier bag manufacturer with *own extrusion facilities.* Excellent modern plant and management team, who will remain.

Write Box H5925, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

SECRETARIAL RECRUITMENT AGENCY FOR SALE

Well established, Central London based shop front agency with excellent profit record for sale. Stable management wish to remain with the business.

For further information principals only please Write to Box H3939, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

ADVERTISING MEDIUM

Valuable contracts with outlets. Sales est. £1¼ mill. over two years. Proven approach. Gross profit c. 60% SELF-EMPLOYED CAN YOU DEVELOP A SALES FORCE? Six-figures on completion + earn-out for this 'Cash Cow'.

Write Box H5934, Financial Times, One Southwark Bridge, London SE1 9HL.

BIRMINGHAM SUBURBS

A group of six pharmacies for sale. T/O approaching £2.5m. Total prescriptions reaching 36,000 items per month. Gross profit 25%+ on average. Freehold available. Offers invited with bankers reference.

Write principals only, to Box H5922, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Highly profitable light engineering business in the West Midlands. Rapidly expanding but owners wish to retire after a suitable transitional arrangement. Projected turnover 1990 £2.5m. A well [illegible] profitable associated finance company optionally could be part of the sale.

Write Box H5946, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

GRAPHIC SUPPLIES COMPANY

Offers invited for profitable business operating in the Home Counties. Current turnover 2.5 million per annum.

Write to Box H5930, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

COMMERCIAL ART STUDIO COMPANY FOR SALE

Established 1921: Blue Chip accounts. Turnover in excess of £150,000.

Write Box H5921 Financial Times, One Southwark Bridge, London, SE1 9HL.

SUBSTANTIAL IMPORTER/WHOLESALER CHILDRENS CLOTHING

Current T/O c. £2m. [illegible]

For full details please Write Box H5951, Financial Times, One Southwark Bridge, London SE1 9HL.

For Sale
NIGHT CLUB

Prestigious club with small restaurant. Plus 2 bars catering for over 21's. Licensed capacity 300. Recently reopened and totally refitted. West London. Long lease. Genuine reason for sale.

Write Box H5940, Financial Times, One Southwark Bridge, London SE1 9HL.

SIMULATOR AND TRAINING SYSTEMS COMPANY

Long established, profitable business with experienced management team. For sale principals only.

Write to Box H5950, Financial Times, One Southwark Bridge, London SE1 9HL.

Company Supplying Specialised

cellar equipment for sale. A new invention with enormous potential. Present owners wish to be retained. Write to Melrose Cottage, Blackawton Totnes, TQ9 7AY. or Tel: 080421 584

FOR SALE
Netherlands Antilles Company

Auth. Shar Cap. U.S.$ 30,000. Issued & Paid U.S.$6,000. No Assets & Guaranteed No Liab.

Fax (44) 0534 58224

Financial Services
- for sale -

probably the most desirable corporate name in the financial services industry. All enquiries in strictest confidence.

For further information please write initially to Box H5924, Financial Times, One Southwark Bridge, London SE1 9HL.

LIECHTENSTEIN COMPANY

[illegible]

RETIREMENT SALE

Specialist Lighting Manufacturer / Transformer Company, established 12 years, *M4 corridor*, Blue Chip Customer Base. T/O 850k with good net profit, excellent potential.

Box H5945, Financial Times, One Southwark Bridge, London SE1 9HL.

TRANSPORTATION AND TRAFFIC CONSULTANTS

successful consultancy keen to merge or acquire practice operating in Bristol or Birmingham area.

Please contact:
Mr Jeffrey Zlotkin,
FMCB Management Consultants Limited, Hathaway House, Popes Drive, Finchley, London N3 1QF
Tel: 01-346 6446 Fax: 01-349 3990

FOR SALE

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Progress in feeling better

David Fishlock reports on the discovery of a drug which relieves the side-effects of chemotherapy or radiation in cancer treatment

Nausea and vomiting are all-too-frequent side-effects of treatments for cancer h drugs and radiation. They n be so violent the patient fers physical damage such torn tissues and broken nes. Psychologically, the e-effects can be depressing. rse still, the patient may use further treatment.

n 1978, J.R. Fozard, a pharcologist at Manchester Unisity, discovered that emesis miting) can be prevented by cking the newly identified T receptors on cells in the t wall. 5-HT receptors are teins which react with IT, a neurotransmitter ponsible for a variety of ions in the body.

Glaxo has been pursuing earch into 5-HT since the ly 1970s, initially to find a atment for migrane. It ned approval yesterday in tain and France for Zofran, first drug to come from IT research. "It's one of the anest drugs we've ever veloped," claims Richard kes, Glaxo's group research d development director. her drug companies are lieved to be close behind. t the drug fits in well with axo's corporate policy of king new drugs for serious nesses.

Zofran is only one in a fam- of potential new drugs erging from an understand- of 5-HT receptors, with s ranging from the preven- n of post-operative vomiting patients regaining con- ousness after anaesthetics, safer and more effective treatments for alimentary disorders, schizophrenia, anxiety, drug dependence, and perhaps even loss of memory.

Sykes became research director-designate at Glaxo in 1986, mid-way through the development phase of ondansetron, the Glaxo compound being marketed as Zofran. That year the chemical was first tried in patients, following successful demonstrations by Bradford University in ferrets — an animal with the rare faculty of being sick like a human.

Emesis affects 80-90 per cent of cancer patients treated by chemotherapy, and 100 per cent in the case of some drugs. It puts into reverse the normal peristaltic action that moves food through the gut. Emesis takes several very distressing *forms, including one in which* the patient vomits in anticipation of receiving more treatment.

What is believed to happen *is that the cytotoxic (cell-killing)* cancer drug or radiation "insults" certain cells lining the gut, releasing 5-HT (see diagram). This concentrates at nearby 5-HT receptors near nerve endings associated with the duodenum, liver and stomach. The nerves send messages via the vagus nerve which connects the brain and gut to the chemotherapy trigger zone of the brain. The zone triggers the vomiting centre in the brain stem, eliciting the response of reversing peristaltic action in the gut and causing vomiting.

The story of the 5-HT receptor epitomises modern pharmaceutical research, Sykes believes. Like adrenaline, it is one of the body's physiological mediators. It was first recognised in the last century, in an *agent causing blood to clot.* It was named serotonin — a toning agent for blood serum. In 1957, Sir John Gaddum and Z.P. Picarelli, medical researchers at Edinburgh University, showed that 5-HT could excite neuronal tissue in the gastrointestinal tract. They also found that the action could be blocked by *morphine.*

But not until Fozard explained the physiology were Glaxo and other companies aware of the pharmaceutical *opportunities. He showed that* the receptor had many and varied roles in regulating the body.

Glaxo's earlier experience with migrane led it to ask whether 5-HT might provide new opportunities for controlling psychiatric and nervous diseases. In 1979 Michael Tyers — Glaxo's director of neuropharmacology — began searching for novel and selective agonists and antagonists for the 5-HT receptor.

An agonist is a substance that initiates a biological action by interacting with a specific receptor in the cell wall. An antagonist is one which blocks the action of an agonist, by coming between agonist and receptor.

In 1983 Tyers's team produced the chemical ondansetron, and showed it to be a highly specific and potent antagonist for the 5-HT neuronal receptor. Its initial application emerged from the collaboration with Bradford University, where Brenda Costall and her colleagues in the school of pharmacology maintain extensive animal screens *for substances that might be* useful in mental and other illness. They showed how effective ondansetron could be in treating ferrets with emesis. *The condition* was a relatively simple target compared, for example, with the high psychological component of anything relating to mental illness.

Several pharmaceutical groups recognised the importance of this indication, among them Sandoz, Beecham (now Smith-Kline Beecham) and A.H. Robin (now part of American Home Products).

Glaxo believes it leads the field because another collaboration with academics identified three types of 5-HT receptor — 5-HT1, 5-HT2 and 5-HT3. This characterisation helped explain how a single chemical transmitter can exert such a variety of effects.

Zofran will be launched by Glaxo as both an injectable and an oral drug for people being treated for cancer by drugs or radiation. Doctors need an injectable form for fast action in cases where the patient may be too distressed to swallow pills.

Only two significant side-effects of Zofran have shown up so far — constipation and headaches — and only in 5-10 per cent of the 4,000 patients *who have tried the drug.* Constipation may have certain advantages, for anti-cancer drugs tend to cause diarrhoea.

Although Zofran is apparently a particularly *safe drug,* it is a potent antagonist, 10,000 times more potent than the other two 5-HT receptors identified, Sykes says. This makes the chemical highly selective in picking the protein with which to bind.

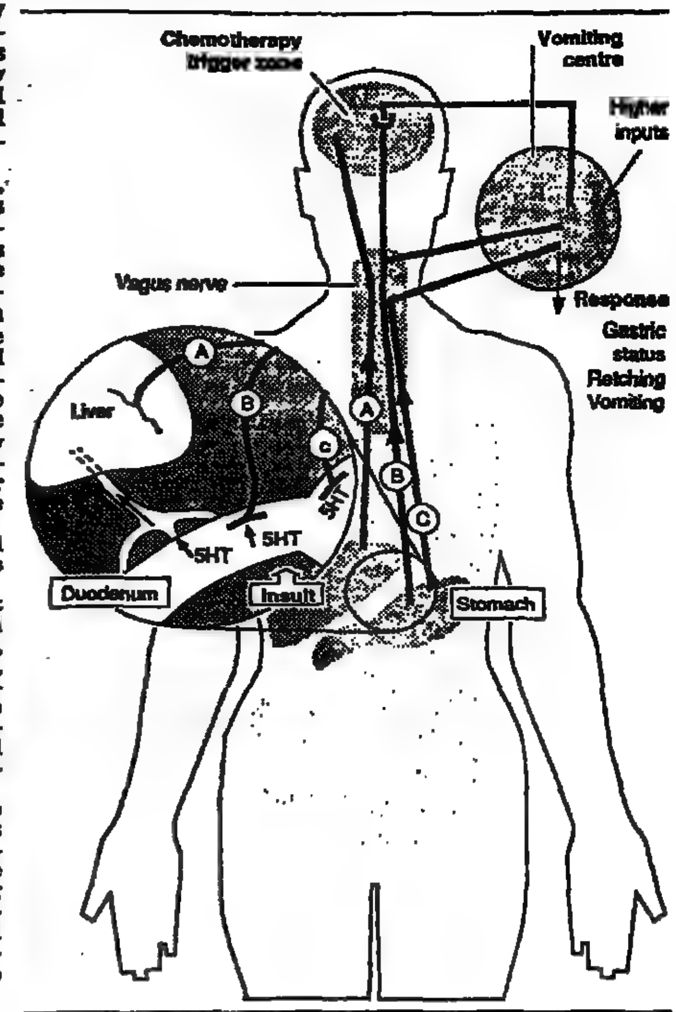
He has studies already in hand to demonstrate a more potent but safer anti-emetic for use in surgery to counter post-operative vomiting — the irritation caused to the gut by anaesthetics. Two other alimentary conditions Glaxo is investigating are gut motility disorders and irritable bowel syndrome — enormous medical problems, often of obscure origin.

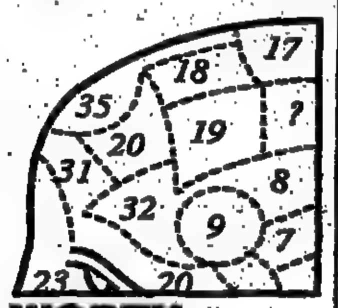
Tyers and his colleagues, who found that 5-HT receptors were present on neuronal tissue in the peripheral nervous system, theorised that the same receptors would be present in the brain. They went on to demonstrate that 5-HT3, one of the variations, is indeed present there, but the researchers are still trying to resolve just what these receptors are controlling and whether they are controlling directly or indirectly. But 5-HT3 *receptor* antagonists show no evidence of dependence or sedation — common side-effects of central nervous system (CNS) drugs used today to treat *anxiety.*

It has also been shown that animals can be weaned from dependence on social drugs, Sykes says. In schizophrenia, they hope it will prove selective enough to treat the disease without unleashing large side-effects similar to the control problems associated with Parkinson's disease.

"There's no doubt a lot more is going to come out of this area," says Sykes. "Even memory enhancement is a possible goal." Glaxo has no CNS drug at present but Sykes is allocating 20 per cent of a total research and development budget of about £400m a year to this sector.

How cancer drugs cause vomiting





WORTH WATCHING

Edited by Lynton McLain

e computer is good listener

LK nicely to your computer it may obey. The University of Edinburgh has developed software which enables computers to receive, respond to and act on commands in English. The result is that keyboards may become redundant. The University's Centre Speech Technology Research wants to make computers accessible to everybody through speech. It has developed the system using personal computers. Professor Mervyn Jack, director of the centre, showed the system, OSPREY, ... to conversations between aircraft controllers and pilots in a simulation of ground traffic control system at Edinburgh Airport. It checks that instructions are carried out correctly, displays on screen and warns controller of deviations. OSPREY is based on a phonetic breakdown of words. According to Professor John Laver, Chairman of the centre, "Speech-computer interface is a new and potentially revolutionary technology with implications for the home and workplace."

oneycomb gets to shape

NEYCOMB materials offer strength with reduced weight, but they are difficult to produce to specific dimensions. A French engineer, Jean-Pierre Trotignon, has developed a honeycomb structure that is made by direct extrusion as plates or tubes. No cutting or joining of the component parts of the honeycomb is required. The technique is suitable for many kinds of extrudable moulding material, including ceramics and fibrous materials. The structures are suitable for use in pollution control systems, catalytic exhaust pipes, heat exchangers, filtration and in structures where large surface areas are needed.

oftware learns he Customs

OFTWARE to help UK companies cut the red tape involved with exporting to other EC and EFTA countries has been developed by Spicers Customs Planning and WS Systems. The CustomEase X software is compatible with most personal computers. It presents a screen the layout of 10 standard forms for export as well as consignment information. It produces Customs documentation, packing lists and export cargo shipping instructions.

ersonal garage nderground

VER wished you had a garage at home for your car but lack the space or are unable, for planning or aesthetic reasons, to install one, asks Charles Batchelor. Autopod, a Leicester-based company, believes it has the answer with an hydraulically operated ramp which lowers the car into an underground storage bay. The roof of the storage bay can be asphalted, grassed or even planted with flowers so that when the ramp and roof are closed the Autopod is almost undetectable. The pod requires an area 18 feet by 8 feet, is 9 feet deep and is fitted with heating and optional humidity controls to protect the car while underground. It incorporates a safety device to prevent the car being lowered if there is an obstruction, and a panic button to allow anyone trapped inside to raise the mechanism.

Autopod says the underground garage can be installed for between £20,000 and £35,000 within three days. It is operated by remote control with an optional keypad that requires the correct code to be tapped in.

Making the heat last longer

A HEATER that continues to heat after electricity is cut off is being developed in Japan. World Technology Laboratories, part of Mitsubishi, has created a synthetic compound of 18 inorganic materials, including ceramics, quartz and titanium, to be used in a powerful heating element.

The element is coiled into a cylindrical shape. A quartz tube is inserted while the electricity is still working and applied to the element. The quartz heats and re-radiates infra-red rays which create a thermal amplification effect in each material in the element, to produce more heat.

The element is heated electrically to 110 deg C and continues to heat to 190 deg C even after the electricity has been cut off. The higher temperature is maintained for up to two hours.

It generates 320 kilocalories of thermal energy for every 360 kilocalories of electricity supplied.

Signals filter the information

How can a frog be so good at catching flies when its brain is the size of a pea? The question has a bearing on how computers could be designed to cover a wider range of applications.

The frog is good at catching flies because it uses a form of signal processing. Neural devices near the frog's eyes filter out all but the most crucial information, allowing the brain to handle the fly-catching job.

The Microelectronics Research Centre at the Georgia Institute of Technology in Atlanta is applying the concept to change the way computers are designed, using *digital signal processors.*

Programming instructions and the data on which the software operates currently exist in the same memory and have to be transported in the same wires. The new generation of digital signal processors provides separate memory storage for data and instructions and separate wires to transport the information.

Contacts: Edinburgh University: UK, 031 667 1011 ext 4254. Jean-Pierre Trotignon: France, [illegible]. Spicer & Oppenheim: UK, [illegible]. Autopod: UK, [illegible]. Mitsubishi: Japan, [illegible]. Georgia Institute of Technology: US, [illegible].

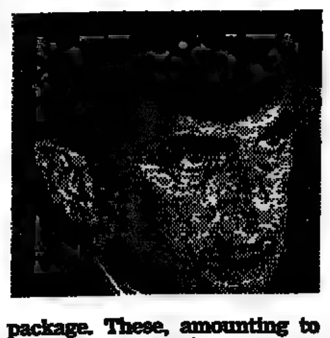
COMMODITIES AND AGRICULTURE

In defence of Europe's smaller farmers

Bridget Bloom and **Tim Dickson** on the EC Agriculture Commissioner's controversial plans to protect the weak from the impact of reforms aimed at the strong

MR RAYMOND MacSharry, the European Community's Agriculture Commissioner, is determined to pursue his controversial "rural development" strategy in spite of a volley of criticism from member states.

Officials in Brussels say the European Commissioner has no intention of withdrawing proposals designed to help smaller farmers in this year's price package when in comes to drawing up a compromise for the "crunch" meeting of EC Farm Ministers in Luxembourg in two weeks time.



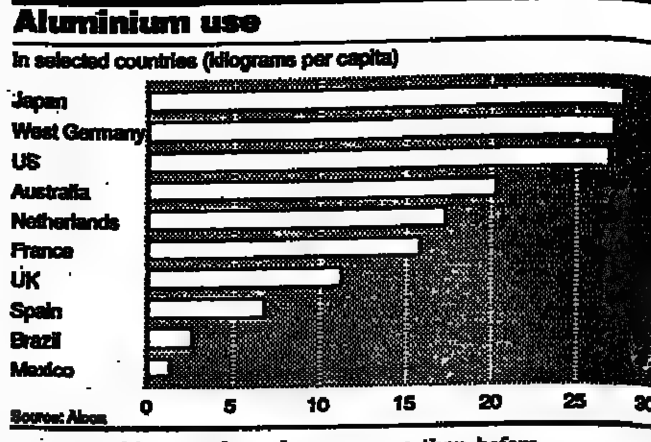
In a proposed 23 point initiative to boost development in Europe's countryside, Mr Raymond MacSharry (left), the EC Farm Commissioner, has endorsed ideas recently canvassed by Britain's Country Landowners' Association.

US loses lead in per capita consumption of aluminium

By Kenneth Gooding, Mining Correspondent

Aluminium use

In selected countries (kilograms per capita)



LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium	-1,075	to 86,600
Copper	-2,350	to 76,525
Lead	-1,100	to 12,900
Nickel	-540	to 4,865
Zinc	-3,400	to 61,[illegible]
Tin	+225	to 9,525

Coffee prices slip below £700 a tonne in London

By David Blackwell

COFFEE PRICES in London fell below £700 a tonne yesterday following the sharp retreat of more than 6 cents a lb in the New York arabica contract on Friday.

On the London Futures and Options Exchange (Fox) May robusta closed at £697 a tonne, a fall of £37 on the day. Traders, who believed the fall could have been steeper still but for sterling's weakness, said the next support level was £680 a tonne.

The New York fall was continuing up to midsession yesterday. Dealers said fear that Brazil could reintroduce coffee stock auctions, abandoned last summer, was behind it.

However, E.D. &F. Man, the London trader, says in its latest monthly report that both London and New York seemed constructive during last week's highs. "The amount of coincident bullish factors currently in the market make the reward of further price rises greater than the risks of carrying a short position, although the temptation of early profit-taking after a 'lean winter' is bound to weigh on any further price rallies."

The New York market could see consolidation in the short-term because it is overbought, US certified stocks have been built up and January exports reached a record level. But prices may be able to hold successfully above $1 a lb.

The London robusta market has not broken out of the long-term downtrend and is still fundamentally oversupplied, but Man sees a more supportive tone developing.

Malaysia softens cocoa stance

By Lim Siong Hoon in Kuala Lumpur

MALAYSIA IS beginning to appear more amenable to discussions with African cocoa producers to deal with the slump in the market.

Mr Lim Keng Yaik, the Primary Industries Minister, is to visit Ivory Coast and Ghana later this month. But, he has said his visit was not indicative that Malaysia would lend its support to the revival of the International Cocoa Organisation's price support operation.

A producers-only multilateral organisation now looks like an attractive option. A precedent is the Association of Tin Producing Countries, which has had considerable success in trying to rationalise supply since the collapse of the International Tin Agreement in 1985.

Malaysia's decision to meet the Africans may have already drawn a reaction from France. Last week, according to reports in Malaysia, Mr Jacques Pelletier, the French Co-operation Minister, said Malaysia was responsible for the collapse of the cocoa prices.

In response, Mr Lim said: "The French traders, buyers and consumers have taken Ivory Coast for a ride for too long. It is time to give them (the Ivorians) better prices.

The French, he said, were now unhappy with "those who want to stop their free ride."

A commodities conference in Kuala Lumpur over the weekend was told that efficiency and high yields were unlikely to be enough to see South-east Asian producers through the price slump.

Mr Koo Hon Syn, managing director of the cocoa trader Multi-Prospects, said there was a "fallacy" in the thinking because low cost and high production merely exacerbated the over-supply.

In the past Malaysia's cocoa industry has, in unison, lobbied its Government to stay away from the international agreement on the grounds that its high productivity sustained growth and was adequate protection from low prices.

Mr Koo, who now argues against the industry's stand, said low cost in Malaysia was an "illusion." Indonesia, with its cheap labour and cheap land, was the only South East Asian country where cocoa had any promise. Production there has risen nearly two fold in the seven years to 1987.

Unless consumption surged and bad weather curtailed production, Mr Koo said a concerted producers' effort to impose an export quota was the way to lift prices.

W German farm profits higher

By Bridget Bloom, Agriculture Correspondent

WEST GERMANY'S farmers had a much more profitable year last year than in 1987-88, principally thanks to better harvests, higher prices for pigs and the continuation of milk quotas.

According to the country's annual agricultural report, profits for full-time farmers rose in 1988-89 by some 32 per cent, compared with a drop of 10.5 per cent in the previous year.

Launching the report, Mr Ignaz Kiechle, the Minister of Agriculture, described the outlook for the current year as favourable, with average income likely to increase by between 12 and 15 per cent.

As in other EC countries, income varied according to type of farm. In the intensive livestock sector producers registered an average increase rise of 88 per cent, thanks to the recovery in pig prices, while on mixed farms income rose by 65 per cent, partly because of the continuing quota regime for milk. Small arable farmers did least well.

According to the report, West German farmers are still earning considerably less than people in trade and industry. The differential between the average farmers' income and the comparative income in trade and industry fell from DM39,300 (£23,000) or 37 per cent to DM32,286 or 18 per cent.

While full-time farmers received on average about DM 14,000 in state subsidies, this represented 30 per cent rather than 38 per cent of their income.

The report shows that the number of farms in Germany is declining at the rate of 2.5 per cent a year, not fast enough, many observers believe, to bring about real structural change.

Currently there are about 650,000 farms (compared with some 220,000 in Britain, which has a similar population).

West German farmers divide into three categories: those receiving more than 90 per cent of their income from farming (full time farmers in effect) and those who respectively earn between 50-90 per cent and less than 50 per cent from farming.

The first category numbered 319,000 in June 1989, with an average farm size of [illegible] hectares; the second category 58,500, with farms averaging 17.5 hectares while in the third group were 272,000 farmers with farms averaging [illegible] hectares. (This category embraces the fabled Bavarian car-worker whose farming income is but gilt on the gingerbread).

The number in the first category is declining by some 2 per cent a year, in the second by 4.5 per cent and in the third by only two per cent.

Agrarbericht 1990. Ministry of Agriculture, Bonn.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices fell on the LME yesterday, although earlier losses were trimmed on news that a strike had closed Southern Peru Copper's 300,000-tonne-a-year Ilo smelter and its Cuajone mine. A 2,350-tonne fall in LME stocks last week was in line with forecasts and had little influence on the market. The tightness of lead supplies was reflected in a £24 increase to £197 for the premium for cash metal over three-month. LME stocks fell by 1,100 tonnes to 12,900 tonnes, the lowest level since January last year. Both aluminium and zinc stocks were also down, but prices fell as buyers backed away following lower copper prices. New York sugar prices were lower by midsession – a normal correction in a bull market, according to one analyst. The next bullish development might be a US quota boost – possibly of 150,000 short tons – which could take sugar off the world market. New York orange juice futures were also lower by midsession after a flurry of selling in reaction to last week's USDA crop report, which raised its estimate of the 1989/90 Florida crop to 103m boxes (90lbs each) from 100m last month.

Compiled from Reuter

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.90-5.95z	-0.15
Brent Blend	$18.50-8.55z	-.325
W.T.I. (1 pm est)	$20.27-0.30z	-0.44

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$215-217	-1
Gas Oil	157-158	-4½
Heavy Fuel Oil	$85-86	-1½
Naphtha	$169-170	-5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$401.00	+1.75
Silver (per troy oz)♣	513c	+2
Platinum (per troy oz)	$502.9	-5.4
Palladium (per troy oz)	$131.50	+0.10
Aluminium (free market)	$1530	+15
Copper (US Producer)	122⅝-127	-½
Lead (US Producer)	48½c	+2
Nickel (free market)	425c	
Tin (Kuala Lumpur market)	16.81r	+0.06
Tin (New York)	294c	+2
Zinc (US Prime Western)	70⅜c	+⅛
Cattle (live weight)†	111.85p	
Sheep (dead weight)†	220.16p	
Pigs (live weight)†	98.75p	
London daily sugar (raw)	$376t	+2
London daily sugar (white)	$436t	-1
Tate and Lyle export price	£350	+4
Barley (English feed)	£108.5	
Maize (US No. 3 yellow)	£128.25	
Wheat (US Dark Northern)	£131	
Rubber (Apr)♥	57.00p	+0.25
Rubber (May)♥	57.75p	+0.25
Rubber (KL RSS No 1 Apr)	231m	
Coconut oil (Philippines)§	$395t	+5
Palm Oil (Malaysian)§	$290	-10
Copra (Philippines)§	$270y	
Soyabeans (US)	£173.0	+7.0
Cotton "A" index	79.60c	
Wooltops (64s Super)	573p	+10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	344.00	348.00	347.00 342.00
Aug	342.40	346.00	344.60 340.80
Oct	329.20	331.40	330.60 328.80
Dec	325.00		316.00
Mar	304.00	306.20	305.40 303.80
May	302.60		301.00

White	Close	Previous	High/Low
May	434.0	435.0	436.0 432.0
Aug	433.5	434.5	435.5 431.4
Oct	405.5	406.0	407.0 403.5
Mar	385.0	386.5	386.0 384.5
May	385.0		380.0

Turnover: Raw 4625 (8599) lots of 50 tonnes. White 759 (2006)

Paris- White (FFr per tonne): May 2512, Aug 2510, Oct 2368, Dec 2287, Mar 2282, May 2285

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
May	18.55	18.94	18.74 18.55
Jun	18.67	18.95	18.81 18.64
Jul	18.70	18.92	18.70
Aug	18.67		18.67
IPE Index	18.90	18.95	

Turnover: 6439 (11592)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Apr	156.00	160.00	157.75 154.50
May	154.25	157.75	155.50 153.00
Jun	155.75	157.75	155.50 152.50
Jul	155.25	158.75	158.00 154.00
Aug	157.50	160.50	158.00 158.00
Sep	157.00		158.00 157.00
Oct	158.75		158.75
Nov	159.00		161.25 159.00
Dec	163.00		163.00 162.50

Turnover 2576 (3270) lots of 100 tonnes

TEA

THERE WERE 26,309 packages on offer this week, including 8,200 offshore, reports the Tea Brokers' Association. Demand was strong and general. The smaller quantity of Assams met selective enquiry but prices were little changed on balance. Best liquoring and coloury medium East African CTC's came in for keen competition and moved 10-15p higher. Central Africans put on 5-10p. Ceylons were well supported throughout and generally gained 10-20p. Offshore teas attracted much improved demand often at much dearer rates. Quotations: quality 220p (210p), medium 135p (125p), low medium 100p (92p).

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	706	709	708 700
May	719	722	723 711
Jul	732	734	731 723
Sep	747	746	748 738
Dec	770	771	771 760
Mar	791	791	793 783
May	807	807	807 798

Turnover: 5805 (8914) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Mar 9 858.31 (859.58) 10 day average for Mar 12 840.45 (835.56)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	682	717	700 679
May	697	734	722 695
Jul	689	705	700 684
Sep	700	714	708 692
Nov	710	725	715 702
Jan	720	736	723 719
Mar	735		737 732

Turnover: 6194 (7298) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Mar 9: Comp. daily 77.23 (80.41). 15 day average 74.05 (73.37)

POTATOES – IPE £/tonne

	Close	Previous	High/Low
Apr	163.5	167.5	172.0 163.0
May	195.0	198.5	204.1 194.0
Nov	99.0		99.0 98.0
Apr	144.0		144.0

Turnover 864 (914) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low
Jun	125.00		125.00
Aug	124.50		125.00 124.50
Oct	127.50	127.50	127.50

Turnover 55 (95) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low
Mar	1610	1639	1620 1608
Apr	1623	1644	1640 1620
Jul	1376	1386	1386 1370
Oct	1473	1479	1470
BFI	1628	1629	

Turnover 318 (108)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low
Mar	110.50	111.00	110.60 110.30
May	112.70	113.55	113.10 112.60
Jun	114.70	115.30	114.70 114.50
Nov	109.25		109.20

Barley	Close	Previous	High/Low
Mar	104.75	104.75	105.20 104.75
May	107.25	107.35	107.35

Turnover: Wheat 341 (237), Barley 32 (18). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	120.0	119.5	
Jul	120.0	119.0	119.5 119.0
Aug	115.5		115.0

Turnover 113 (10) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	400¾-401¼	248¼-249¼
Opening	400¼-400¾	248-248½
Morning fix	400.40	248.850
Afternoon fix	401.25	248.837
Day's high	401½-402	
Day's low	400¼-400¾	

Coins	$ price	£ equivalent
Mapleleaf	409-414	254-257
Britannia	409-414	254-257
US Eagle	409-414	254-257
Angel	409-414	254-257
Krugerrand	400-403	248½-250½
New Sov.	94-96	58¼-60
Old Sov.	94-96	58¼-60
Noble Plat	508.95-517.00	315.75-320.70

Silver fix	p/fine oz	US cts equiv
Spot	318.55	512.50
3 months	330.80	523.30
6 months	343.35	534.50
12 months	368.40	567.70

TRADED OPTIONS

Coffee	May	Jul	May	Jul
650	62	70	18	33
700	33	45	36	58
750	16	29	69	92
Cocoa	May	Jul	May	Jul
650	74	91	6	10
700	36	57	21	28
750	18	32	50	51
Brent Crude	May	Jun	May	Jun
1850	42	69	33	39
1900	21	44	55	63
1950	7	27	90	96

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 12	Mar 9	mnth ago	yr ago
1927.9	1910.5	1777.3	2001.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar 9	Mar 8	mnth ago	yr ago
Spot	[illegible]	133.58	128.46	138.45
Futures	134.33	135.17	130.15	142.09

New York

CRUDE OIL (Light) 42,000 US galls $/barrel

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

LONDON STOCK EXCHANGE

Very thin trade and one large deal

THE London stock market tried to pick itself up off the floor yesterday and, while failing to join in the recovery in UK Government bonds, turned in what traders described as a "resilient" performance. Market trading volume was extremely thin, but investment interest was heightened by attempts, not always successful, to move large lines of stock in leading UK companies.

The troubled UK political background continued to unsettle share prices which made little response to a steadier trend in sterling towards the end of the session. Concern that pressures on the pound might force another rise in domestic interest rates was hardly soothed by the news that UK retail sales had jumped by 2.4 per cent in February, suggesting that consumer spending continues to resist the UK Government's high interest rate policy.

However, the double digit fall in the market was not as harsh as it appeared. The opening dip of 17.6 on the FT-SE Index took in hefty ex-dividend mark downs in several of the top 100 stocks which make up the Index – notably ICI, GKN, Fisons Barclays and Cadbury-Schweppes.

Equities struggled to recover from this dull start but were discouraged by the retail sales data and a weak opening on Wall Street. The market took a neutral view of the February rise of 0.4 per cent in output and 1 per cent fall in input prices. After narrowly failing to recapture the Footsie 2,230 level, the Index drifted off again towards the close. The final reading showed the FT-SE Index at 2,222.8, a fall on the day of 11.5 points.

Seaq trading volume reached a mere 223.4m shares, compared with Friday's 549.1m. Yesterday was the first day of the new trading account, which will be highlighted a week today by the Budget Speech from Mr John Major, the UK Chancellor of the Exchequer. Traders reported little sign of buying pressure ahead of what is expected to be a "tough" Budget.

But beneath the surface of this tranquil market, corporate and market activity was far from inactive. A substantial stake of 11m shares in British Petroleum traded through the market and there were attempts to move blocks of stock in Argyll and in Burton; the day's total recorded business in Burton was only 179,000 shares, indicating the difficulties facing the would-be seller of a near 19m share block.

Other corporate developments to keep the sector alert included the confirmation that Cable & Wireless would sell a 20 per cent stake in Hong Kong Telecom to CITIC, the investment trust controlled by China. Glaxo was again in good form after its Zofran anti-nausea drug received product licensing in both the UK and France.

Account Dealing Dates		
*First Dealings:		
Feb 26	Mar 12	Mar 26
Option Declarations:		
Mar 8	Mar 22	Apr 5
Last Dealings:		
Mar 9	Mar 23	Apr 6
Account Day:		
Mar 19	Apr 2	Apr 17

*New time dealings may take place from 9.00 am two business days earlier

Differing views on BP trade

British Petroleum took the honours as the most heavily traded stock after a big line of shares was placed in the market. Dealers said 11m BP shares were sold at a price of 333p against 336p in open trading, and named James Capel as the broking house involved.

News of the placing prompted speculation about the source of the stock. There were hints that the Kuwait Investment Office (KIO) had sold the shares as part of a policy to reduce its holdings in UK companies. But oil sector specialists discounted a Kuwaiti involvement.

The KIO built up a near 22 per cent holding in BP after the UK Government sold its remaining holding of BP in October, 1987. In January last year the UK authorities required the KIO to reduce its holding to below 10 per cent. At that time the KIO indicated it intended to remain a long-term holder of its remaining BP shares.

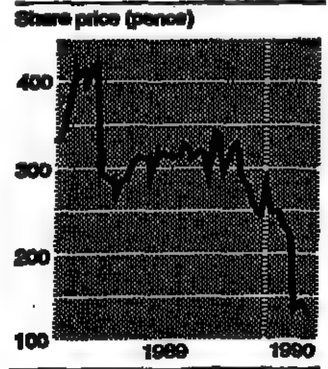
One dealer maintained that the share placing was merely one side of a sizeable switching operation out of BP and into Shell. "There was a buyer of something like 5m Shell during the past few trading sessions and this could well be the other half of the story." He added that BP is more highly geared to crude oil prices than Shell and that oil prices have dipped by some $1.50 a barrel over the past two weeks.

Saatchi cautious

Saatchi and Saatchi held firm ahead of the company's annual meeting today. The shares traded in a narrow range, eventually closing a penny to the good at 140p.

Saatchi & Saatchi

Share price (pence)



Turnover was a slim 273,000, a far cry from the high levels of business seen in the past year. In the last quarter of 1989 almost 80m Saatchi shares traded, half the number in issue and more than twice as many as traded during the whole of 1988.

Much of the trading last year was a consequence of Tennessee-based South Eastern Asset Management building up a 13.2 per cent stake in the company. Since most of that stake was bought, the shares have fallen sharply, hurt by warnings from the company and from analysts that profits would suffer as UK growth slowed. The company's founders, the Saatchi brothers, were replaced as joint managing directors last year by Mr Robert Louis-Dreyfus.

Enterprise wanted

News that OMV, the Austrian part-state-owned oil group, has paid Mobil at least $200m for a 5 per cent stake in the Beryl oil field in the North Sea prompted strong buying of Enterprise Oil shares as investors took the view that the deal substantially revalued Enterprise's 20 per cent holding in the field.

Enterprise acquired a 10 per cent stake in the Beryl field last year from Texas Eastern North Sea, pre-empting Repsol in doing so, for $276m, or some $8.36 a barrel.

Enterprise Oil shares, depressed recently by concern that ICI may be about to place its 26 per cent stake in the market, advanced 12 to 611p. Analysts said OMV had paid between $5.35 and $5.70 a barrel for the Beryl stake, a 40 per cent premium over prices paid for North Sea oil over the past two years. Some observers thought OMV had paid possibly too much for the oil assets; "they were desperate buyers and demonstrated their inexperience of the North Sea," said one. But Mr Philip Lambert said the price reflected the fact that "the oil assets available in the North Sea are small, the market is tight and the peripherals have left."

Enterprise is scheduled to reveal preliminary figures on Thursday. BZW is forecasting net income of £120m, compared with last year's £73.4m, while Hoare Govett is looking for net income of £110m.

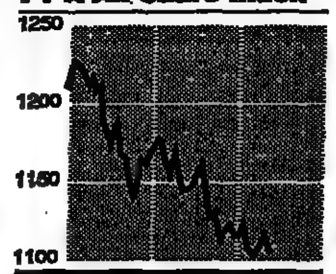
Berisford busy

Trading in Berisford International was active following the announcement at the end of the previous session that the diversified sugar group was in talks that could result in a bid for the company. Turnover swelled to 11m shares on speculation that Berisford may be talking with a European sugar company.

Meanwhile, suggestions that Mr Larry Goodman, the Irish businessman, had raised his stake added to the uncertainty. But yesterday's turnover was largely transacted in modest blocks, which dealers said was a sign of speculative interest rather than stakebuilding.

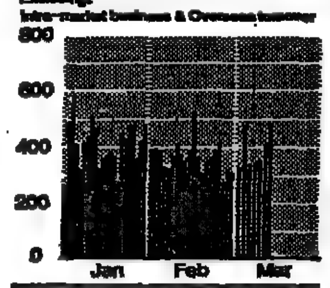
In spite of the bid talk, regulatory barriers were likely to stand in the way of the most obvious UK and European bidders for Berisford, said Mr David Lang of Henderson Crosthwaite. A. B. Foods, the largest shareholder, stood a better chance of clearing the legal hurdles but would only bid at a "realistic" price, he said. "There aren't any simple solutions this time to a bid for Berisford succeeding," he continued. Berisford shares were 2 lower at 147p, while A.B. Foods closed 8 lower at 392p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Alert at Burton

Burton weakened quickly in mid-session as the market caught wind of an attempted placing of a large line of the stock. There were several estimates of the size of the line, ranging from 16m to 19m shares, and the seller was said to be an agency broker acting for a large UK institution.

The shares fell 6 to 169p, but turnover, as recorded by the Seaq screens, remained obstinately thin, reaching only 179,000 by the close. This led dealers and analysts to the conclusion that the placing had failed, or that the lower price had persuaded the seller to postpone it. Either way, dealers seemed convinced that the possibility of such a large placing would continue to hold back the share price.

In the merchant banks Kleinwort Benson edged up to 400p ahead of Thursday's preliminary figures which BZW expects will show pre-tax profits of £70m against £17.7m.

In life assurances Legal & General rose 4 to 384p; the group's full-year results are scheduled for Thursday and County NatWest is forecasting pre-tax profits of £150m compared with last time's £142.6m.

Worries over the squeeze in UK profit margins as the company reported full year figures in line with market expectations weakened British Vita. The shares retreated 4 to 273p. The company reported an increase in profits for the year to December 1989 from £37.5m the previous year to £48.7m. Sellers were said to have accounted for the falls in Laporte where the shares closed 8 down at 482p.

The long-awaited approval in the UK and France for Glaxo's anti-nausea drug Zofran, or Ondansetron, helped the shares climb 11 to 723p. The drug's main applications is to control the side effects of cancer chemotherapy.

British Airways firmed 1½ to 197½p on US buying. Dealers pointed out that airline stocks had been strong in New York late on Friday.

Weekend press suggestions that the financial statistics service Datastream was up for sale led to speculation that a possible buyer might be United Newspapers. The latter's shares declined another 5 to 340p.

Hobsons Publishing slid 35 to 170p after disclosing that it fallen from a profit of £849,000 in 1988 to a loss of more than £520,000 last year.

In an otherwise quiet paper and packaging sector, light buying of Bowater found no willing sellers and the shares firmed 4 to 444p.

BTR closed a penny up at 445p on turnover of 1.3m shares as the market awaited the publication of results from its Australian subsidiary BTR Nylex. The results were due last night and Smith New Court said it expected BTR Nylex to make net profits of A$520m. BTR results are due tomorrow.

The strong US dollar helped ADT close unchanged at 188p having been lower earlier in the session.

Light buying ahead of interim figures on Wednesday helped Beazer 2 higher at at 151p. Profit-taking weakened Parkfield Group, down 9 at 361p.

Shares in Camford Engineering, the subject of a £64m bid from 29.9 per cent stakeholder Markheath Securities, raced forward on press speculation that British Aerospace may be considering a counter bid. The shares gained 20 to 332p.

British Aerospace closed a penny down at 485p as worries over the effect of the long running strike continued to dog the shares.

Hartwell retreated 7 to 149p in the afternoon as it became clear that the £151m hostile bid from the Jameel group had failed. The Jameel group had picked up 43.3 per cent of Hartwell's ordinary shares by the time the offer lapsed.

Attention shifted to Trimoco, in which Jameel has a 24 per cent holding, and the shares hardened 3½ to 25½p with traders speculating that Trimoco may be the next target for the group in their quest for a UK motor distributor.

Pendragon cheered the market with an improvement in full year profits from the previous year's £1.3m to £4.72m for the year to December 1989. The shares responded by adding 4 to 112p. BZW, the company's brokers, expect 1990 profits of £5.7m.

BBA firmed 4 to 169p, ahead of results on Thursday, but TI Group eased to 436p ex-dividend after last week's good figures. BZW has upgraded its profit expectations and forecasts the company will make £125m (£114m) in 1990, and £137.5m in 1991. BZW said TI's "mix of strong and sustainable growth, net cash and powerful cash generation, plus rationalisation benefits in 1990 and 1991" would ensure the company remained a strong performer.

Leading brewers had a quiet day. Grand Metropolitan added a penny at 552p as analysts said they expected a further briefing from the company next week to hear more details of the proposed deal with Elders, which involves a sale of breweries and the injection of public houses into a joint venture.

Last week's announcement by Danish brewer Carlsberg that it wanted to buy a UK brewery led to a flurry in Greenall Whitley. The shares jumped 6 at one point before cooler heads drew attention elsewhere and the shares fell back to 315p, a net 4 easier.

The stake in Greene King sold by Elders last week continued to hang over the market. Dealers said that 4.5m shares were on offer to institutions at 355p and the shares slipped 2 to 356p.

The stores sector took little notice of the retail sales figures. The sharpest movement came from second-liner Aquascutum whose "A" shares jumped 22 to 120p. Dealers said the shares had been at the bottom of their trading range and that buying interest early in the session came from speculative investors.

Hillsdown were off 3 at 251p ahead of final results tomorrow. Market forecasts are in a range of £195-200m, compared with £150.9m last time. United Biscuits, down 4 at 319p, has its results on Thursday, expected at between £185-190m, compared with £170.2m, last time. Cadbury Schweppes was up 3 at 319p xd.

Argyll, down 4 at 199p, was depressed as a line of 500,000 shares was said to have been sold at 200p.

Confirmation that Cable & Wireless was reducing its stake in Hong Kong Telecom from 75.2 per cent to 58.8 per cent, via the sale of shares to CITIC, the Chinese Government's investment agency, for almost £800m, came as no surprise and C & W shares settled a fraction higher at 519p.

The 24 per cent rise in full-year profits boosted Essex 3 to 75p.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (…) … Light, Reuma-Repola, Tech. Project Serv., MOTORS (1) PROPERTY (1) TRUSTS (2) OILS (2) OVERSEAS TRADERS (1) MINES (1).

NEW LOWS (199). BRITISH FUNDS (73) INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) CANADIANS (1) BANKS (4) BREWERS (2) BUILDINGS (9) CHEMICALS (1) STORES (9) ELECTRICALS … Bridport-Gundry, Courtney Pope, Elsco, Erskine House 7½pc Pf., Fobel Intl., Hawthorn Leslie, High-Point, Norton, Spectrum, Spong, Tamaris 8½pc Cm. Pf., Unigroup, West Industries, Whitecroft, Worcester. LEISURE (3) MOTORS (2) NEWSPAPERS (4) PAPERS (7) PROPERTY (13) TEXTILES (3) TRUSTS (18) OILS (3) THIRD MARKET (2).

FINANCIAL TIMES STOCK INDICES

	Mar 12	Mar 9	Mar 8	Mar 7	Mar 6	Year Ago
Government Secs	78.88	78.98	77.79	77.70	77.53	88.09
Fixed Interest	87.18	87.16	87.19	87.41	87.41	90.90
Ordinary Share	1751.5	1763.3	1774.4	1757.0	1745.7	1739.4
Gold Mines	264.0	275.5	285.5	285.5	282.8	192.1
FT-SE 100 Share	2222.8	2234.3	2250.0	2230.3	2216.0	2103.0

Further index, high/low, dividend yield, SEAQ bargain and hourly-change figures: [illegible]

GILT EDGED ACTIVITY

[illegible]

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1989: 115.4 and for January 1990: 119.5.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

APPOINTMENTS

Mountleigh Group chief executive

■ Mr Clive Strowger has been appointed chief executive officer and a director of MOUNTLEIGH GROUP. He joins from Grand Metropolitan where he was group finance director, and chief executive retailing and property. Mr Strowger succeeds Mr Nelson Peltz who continues as chairman and joint managing director. Mr Bruce Bossom, director - southern developments, has been promoted to the new post of group property director. He joined the board when the group acquired Phoenix Properties and Finance in 1988.

■ Mr Tom Weatherby, executive chairman of WHITECROFT, becomes non-executive chairman on April 1. Following the recent appointments of Mr John Marvin and Mr David Perry as non-executive directors, Mr Leslie Stevens and Mr David Hills retire as non-executive directors on the same date.

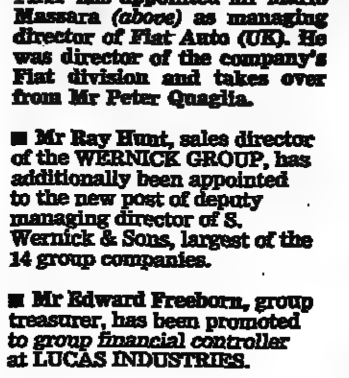
■ WILLIAM DAWSON (HOLDINGS) has appointed Mr Peter Brown as chairman in succession to Mr Dennis H. Baker who remains a non-executive director.

■ Sir Michael Straker has been appointed a non-executive member of BRITISH SHIPBUILDERS. Sir Michael is chairman of the Northumbrian Water Group, and of Go-ahead Northern.

■ Mr David J. Zell has joined MERRILL LYNCH INTERNATIONAL in London as a director in the European financial institutions group, investment banking division, specialising in the insurance industry. He was a vice president, Manufacturers Hanover Trust.

■ Mr Kenneth B. Sinclair has been appointed vice chairman of BARCLAYS de ZOETE WEDD HOLDINGS. He remains head of BZW's fixed income division. Mr Peter Saunders has been appointed managing director of BZW Portfolio Management, succeeding Mr Colin Brown who will be retiring. Mr Saunders was head of the private portfolio management department at Kleinwort Benson. Mr Gerhard Wehr, director of global investment with Barclays de Zoete Wedd Investment Management, has been appointed from March 19 managing director of Barclays Trust & Banking (Japan) and chairman of Barclays de Zoete Wedd Investment Management (Japan).

■ Mr John L. Whitehorn has been appointed financial director of LOMBARD NATWEST COMMERCIAL SERVICES to succeed Mr Jack Doyle on his retirement. Mr Whitehorn was formerly director of finance and management information at HFC.



FIAT has appointed Mr Mario Massara (above) as managing director of Fiat Auto (UK). He was director of the company's Fiat division and takes over from Mr Peter Quaglia.

■ Mr Ray Hunt, sales director of the WERNICK GROUP, has additionally been appointed to the new post of deputy managing director of S. Wernick & Sons, largest of the 14 group companies.

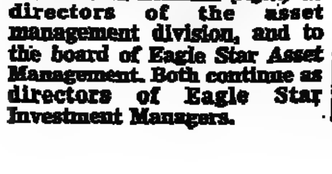
■ Mr Edward Freeborn, group treasurer, has been promoted to group financial controller at LUCAS INDUSTRIES.

■ L.I.C.A. DEVELOPMENT CAPITAL, part of London Investment Capital, has appointed Mr John Graham Salkeld as executive chairman. He was director of finance at The General Electric Co, and deputy chief executive of Myson Group.

■ Mr Simon Cross has been appointed marketing director of CROSBY-SAREK, a Norcros subsidiary. He was general manager, specification products division, Caradon Twyfords.

■ YASUDA TRUST EUROPE has appointed Mr T. Kameda as deputy managing director; Mr Robert D. Hammond as a director; and Mr Nicholas R. Turner as an associate director. Mr Hammond and Mr Turner were at Kleinwort Benson.

■ Mr Dennis J. Jackson has been appointed estimating director of WATES SPECIAL WORKS, refurbishing arm of the Wates Building Group.



EAGLE STAR has appointed Mr Roger Brignell (left) and Mr Richard Lehman (right) as directors of the asset management division, and to the board of Eagle Star Asset Management. Both continue as directors of Eagle Star Investment Managers.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	249	–2	44c	1.4	8.0	8.9
195	134	Abbey National 10p	169	–½	8.5	q3.2	6.0	6.9
*282	120½	Allied Irish Ord	252	+1	[illegible]	3.3	3.2	13.0
£13¼	£11½	Algemene Fl.10	£12[illegible]	[illegible]	Q28%	2.0	6.9	7.3
*8[illegible]	61	Anglo Irish	75	......	Q18.7%	2.7	5.9	10.2
81	57	Ansbacher (H.) 1p	76	+½	2.5	♦	4.4	♦
£72¼	£38	Bancaire Cie Fr100	£59¾	[illegible]	[illegible]	–	2.2	–
£46	£35¼	Banco Bilbao Viz	£37	[illegible]	Q35.7%	2.0	3.6	13.8
£33	£25¼	Banco de Santander	£25¼	......	Q25%	2.4	4.1	5.5
*286	169	Bank Ireland IrE1	256	+4	[illegible]	3.2	4.6	8.7
£19½	£17½	Bank Leumi	£19½	......	–	–	–	–
350	345	Bank Leumi (U.K.)	345	......	†19.5	–	5.2	–
125	88	Bank Scotland	115	......	†3.8	3.6	4.4	8.3
111¼	92	Do. 9¼pc Irrd Pf	92½	–1	9¼%	–	13.3	–
*67	49	Bank of Wales	52	......	2.8	1.6	7.2	10.9
*588	404	Barclays £1	569	–2	27.4	q3.6	6.4	5.6
31	19	Benchmark 20p	19	......	1.63	1.0	11.4	10.9
363	285	Brown Shipley £1	313	......	†10.5	–	4.5	–
455	325	Cater Allen £1	410	–2	23.5	–	7.6	–
259	149	Chancery	152	+1	†8.0	2.8	7.0	6.7
£23¼	£14½	Commerzbk DM10	£21	[illegible]	Q18%	–	3.1	–
*£29	£22¼	C'hgn.Hdk.Kr100	£25½	[illegible]	Q15%	–	5.7	–
£16¾	£10¼	Dai Ichi KBk Y50	£10¼	[illegible]	Q16%	8.8	0.3	37.1
*£314	£156¼	Deutsche Bk DM50	£275¾	–2¼	Q24%	–	1.6	–
£22¼	£17	Espirito Santo	£20	+¼	Q75c	3.3	2.3	13.6

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

For Water Package Units see Recent Issues

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1650 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administration and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE

TIME

HISTORIC PRICING

FORWARD PRICING

SCHEME PARTICULARS AND REPORTS

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INSURANCES

OTHER UK UNIT TRUSTS

Laurentian Life plc—Contd.

Merchant Investors Assurance Co Ltd — Contd.

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	102.2	107.6	−0.7	−
Managed Growth	140.8	148.3	+0.8	−
Managed Opportunity	144.7	152.4	+0.9	−
NFMC Target Financial	99.7	105.0	−0.5	−
Pension Funds				
Managed Cautionary	107.2	112.9	−0.6	−
Managed Growth	145.0	152.7	+0.9	−
Managed Opportunity	147.5	155.3	+1.3	−
NFMC Target Mngd Pen	1501.1	1580.2	−3.0	−

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	219.7	231.3	—	−
Managed Prospect Fund	184.5	194.3	—	−
Pens Managed	281.5	296.4	—	−
Pens UK Equity	328.3	345.6	—	−
Pens Overseas Equity	392.2	412.9	—	−
Pens Property	163.3	171.9	—	−
Pens Fixed Interest	170.1	179.1	—	−
Pens Index Linked	142.7	150.3	—	−
Pens Deposit	190.7	200.8	—	−
Executive & P.R.P.				
UK Equity	143.5	151.1	—	−
Overseas Equity	140.4	147.8	—	−
Fixed Interest	116.2	122.4	—	−
Property	135.9	143.1	—	−
Index Linked	129.6	136.5	—	−
Deposit	132.3	139.3	—	−
Managed	141.9	149.4	—	−
With Profits	135.6	142.8	—	−

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	337.7	355.5	−0.7	−
UK Equity	425.6	448.0	−1.9	−
Overseas Eq	361.9	381.0	+1.7	−
Americas	270.9	285.2	+2.2	−
Far East	392.7	413.4	−2.1	−
Property	219.9	231.5	−0.2	−
Fixed Int	208.4	219.4	−1.5	−
Indexed Gilt	134.7	141.8	−0.8	−
Deposit	160.5	169.0	—	−
Pension Fund (Accum Units)				

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
UK Managed Initial		113.9	−0.1	−
Property Initial		166.6	—	−
Money Initial		79.1	+0.1	−
Special Market Initial		138.6	+1.3	−
Japan Equity Initial		107.3	−1.0	−
North American Initial		84.5	+0.2	−
Pacific Initial		82.0	+0.4	−
Technology Initial		106.5	+1.5	−
Nat. Resources Initial		57.7	+0.5	−
European Initial		105.6	+0.7	−
Residential Prop Init		103.8	—	−
Swiss Equities Initial		37.4	+0.1	−
Hong Kong Initial		48.7	+0.4	−
UK High Inc Eq Init		67.5	—	−
Int Fixed Interest Init		48.3	—	−
Int Managed Init		56.5	+0.6	−
HIP Managed Init		113.3	—	−
HIP Managed II Initial		97.9	—	−
Broker Funds				
High Performance	75.9	80.0	+0.6	−
Towerhill Mngd Fd Acc	51.0	53.7	−1.2	−
YRA Executive Fd	92.4	97.4	+0.5	−
£ Global Growth Acc	130.5	137.6	—	−
£ High Income Money Acc	111.4	117.7	—	−
IM Balanced		55.9	+0.5	−
H.F. Speculator Fd		156.8	+0.1	−
PEP Accra II		125.1	+0.8	−
PEP Cautionary		85.6	+0.4	−
AAFS Int Man Fund		120.1	−0.1	−
Andrews-Green Inv Port		104.4	—	−
Individual Pension Funds				
UK Equity Acc	217.1	229.1	−1.0	−
UK Fixed Interest Acc	172.0	181.5	−1.5	−
Intl Equities Acc	249.6	263.3	+4.5	−
UK Managed Acc	179.2	189.0	−0.2	−
Property Acc	209.2	220.7	—	−
Money Acc	136.5	144.0	+0.1	−
Special Market Acc	280.6	296.0	+8.8	−
Japan Equity Acc	220.1	232.2	−1.7	−
North American Acc	132.0	139.3	+0.3	−
Pacific Acc	202.3	213.5	+1.5	−
Technology Acc	180.4	190.3	+3.2	−
Natural Resources Acc	114.0	120.3	+1.2	−
European Acc	140.6	148.4	+1.2	−
Residential Prop Acc	114.1	120.4	—	−

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

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Henderson Management SA

Lazard Fund Managers—Contd.

M & G Island Fund

NM Financial Mgmt Intl Ltd

Hill Samuel Investment Services Intl SA

Ivory & Sime (Luxembourg) SA

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

DUBLIN (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar at 2¾-year yen high

THE DOLLAR was testing resistance at DM1.7100 against the D-Mark and Y152.25 in terms of the Japanese yen at the London close yesterday. Dealers reported a large buying order for the US currency against the D-Mark, triggering stop loss buying orders above DM1.7070. Earlier in Tokyo the dollar rose above Y152.00, breaking through the high touched in June last year. This encouraged further buying of the US currency, in spite of nervousness about central bank intervention.

The Bank of Japan continued its programme of support for the yen, but this only temporarily checked the dollar's rise, and when the Federal Reserve failed to intervene by the time Europe closed the US currency moved nervously higher.

There was no fresh news to move the currency market, but unattractively low Japanese interest rates and fear about the economic impact of German monetary union continued to weigh on the yen and D-Mark. Events in the Soviet Union, including the declaration of independence by Lithuania, also unsettled the market,lending support to the dollar.

At the London close the dollar had climbed to its highest level against the yen since July 1987, finishing at Y152.35, compared with Y151.30 on Friday. It had also advanced to DM1.7100 from DM1.7040; to SFr1.5230 from SFr1.5115; and to FFr5.7825 from FFr5.7625. On Bank of England figures the dollar's index rose to 68.5 from 68.3.

Sterling had a weak tone, but managed small gains against the yen and Swiss franc. Dealers said the driving force behind the pound's decline was the British political situation - involving the Conservative Government's lack of popularity - rather than economic fundamentals. This view was supported by sterling's recovery, in spite of very disappointing UK retail sales figures. The February rise in UK retail sales was well above expectations, leading to suggestions that high UK interest rates are failing to rein back consumer spending and that further measures are needed.

Sterling touched a low of DM2.7375, but rallied to close at DM2.7550, against DM2.7575 previously. The recovery reflected a belief that the forthcoming UK Budget will be tight, and that there remains a possibility of higher bank base rates. The pound fell ¾ cent to $1.6110 and declined to FFr9.3150 from FFr9.3275, but rose to Y245.50 from Y245.00 and to SFr2.4525 from SFr2.4475. Sterling's index fell 0.3 to 86.3.

Trading within the European Monetary System was quiet, but the strong Italian lira remained close to its cross rate limit against the French franc. The D-Mark was steady around the middle of the EMS, weakening a little against the lira, and holding steady in terms of the franc. In London the D-Mark fell to L738.00 from L738.70, but was unchanged at FFr3.3815.

£ IN NEW YORK

Mar.12	Latest	Previous Close
£ Spot	1.6470-1.6480	1.6155-1.6165
1 month	0.94-0.93pm	1.03-1.01pm
3 months	2.75-2.72pm	2.72-2.66pm
12 months	9.70-9.60pm	9.60-9.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

Mar 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¾-14¼	15-14¾	15⅛-15⅛	15⅛-15⅛	15⅝-15⅛	15⅞-15⅞
US Dollar	8¼-8¼	8⅜-8⅛	8⅜-8⅛	8⅝-8¼	8⅝-8⅛	9-8⅞
Can. Dollar	12⅞-12¾	12⅞-12¾	12⅞-12⅞	12⅞-12⅞	12⅞-12⅞	12⅞-12⅝
D. Guilder	8½-8¼	8⅝-8¼	8¼-8⅝	8⅞-8¾	9¼-9	9⅜-9¼
Sw. Franc	8⅞-8⅝	9-8¾	8⅞-8⅞	9¼-9	9⅛-9⅛	9¼-9⅛
Deutschmark	8-7¾	8-7¾	8¼-8	8⅜-8⅛	8⅞-8⅝	9⅛-9⅛
Fr. Franc	10⅛-10¼	10⅛-10⅛	10⅛-10⅛	10⅞-10⅞	11-10⅞	11¼-11¼
Italian Lira	13-11	12⅛-11⅞	12⅛-12⅛	12⅛-12⅛	13-12⅞	13¼-13⅛
Belgian Franc	10⅛-10¼	10⅛-10¼	10⅛-10⅛	10⅛-10⅞	10¼-10⅛	10⅞-10¾
Yen	6⅝-6¼	6⅞-6⅞	7⅝-7⅛	7⅛-7⅛	7⅛-7¼	7⅛-7⅛
D. Krone	12¼-12	12¼-12	12¼-12⅛	12⅛-12¼	12⅛-12⅛	12⅛-12⅛
Asian $Sing	8⅛-8⅛	8⅛-8⅛	8⅞-8⅛	8¼-8⅛	8⅞-8⅛	9-8⅞

Long term Eurodollars: two years 9⅛-9⅛ per cent; three years 9⅛-9⅛ per cent; four years 9⅛-9⅛ per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000; Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKETS

Rates stay firm

THERE WAS a firmer tone to interest rates in London yesterday, as dealers remained concerned about the performance of sterling and worried about the latest UK economic data. Three-month interbank rose to 15⅛-15⅛ per cent from 15⅞-15¾, after touching 15⅛-15¾, on news that UK retail sales rose sharply by 2.4 per cent in February, after falling a revised 0.9 per cent in January.

UK clearing bank base lending rate 15 per cent from October 5

The market expected a modest February rise of about 0.3 per cent. One-year sterling funds rose to 15⅞-15⅞ from 15¾-15⅝ per cent.

Short sterling futures traded nervously on Liffe. The June contract fell to a low of 84.57 on the retail sales figures, but rallied as cash rates came off the day's peaks and sterling showed signs of improvement on the foreign exchanges. It closed at 84.69, compared with 84.67 on Friday.

The Bank of England forecast a day-to-day credit shortage of £750m, and provided total help of £655m. Before lunch the authorities bought £368m bills outright by way of £1m Treasury bills in band 2 at 14¾ per cent and £367m bank bills in band 2 at 14¾-14⅞ per cent. In the afternoon another £277m bank bills were purchased in band 2 at 14¾ per cent. Late assistance of around £10m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,003m, with the unwinding of bill repurchase agreements absorbing £180m, and bank balances below target £120m. These factors outweighed Exchequer transactions adding £35m to liquidity and a fall in the note circulation of £535m.

In Frankfurt call money rose to 7.95 from 7.85 per cent as the market took a defensive view ahead of elections in East Germany next weekend. Tax payments and settlement for a West German Federal Railway floating rate note will soon cause funds to flow out of the market.

Two securities repurchase agreements expire on Wednesday and it is generally expected that the Bundesbank will allocate enough money at this week's tender to replace the DM20.3bn leaving the banking system.

In Paris the Bank of France left its money market intervention rate unchanged at 10 per cent at yesterday's securities repurchase agreement tender. The five to 10-day repurchase rate was unchanged at 10¾ per cent.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

MMC INVITES EVIDENCE ON SULLIVAN/BEP INQUIRY: ADVERTISING

The Monopolies and Mergers Commission is inquiring into the proposed acquisition by Mr David Sullivan, who has an interest in Sport Newspapers Ltd publishers of the Sunday Sport and the Sport, of a controlling interest in the Bristol Evening Post plc and invites anyone wishing to make representations to do so in writing by Wednesday 21 March 1990 to: The Reference Secretary (Sullivan/BEP Inquiry), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

PERSONAL

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is interested in hearing from female and male entrepreneurs willing to help with advice and skills to get new social actions started. For more information write to

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COMPANY NO. 1314732

BRIAN ASPDEN LIMITED

Principal of business: Steelden House, Harwood Street, Blackburn

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at the offices of Cork gully, Abacus Court, 6 Minshull Street, Manchester, M1 3ED on 15 March 1990 at 11.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on 14 March 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

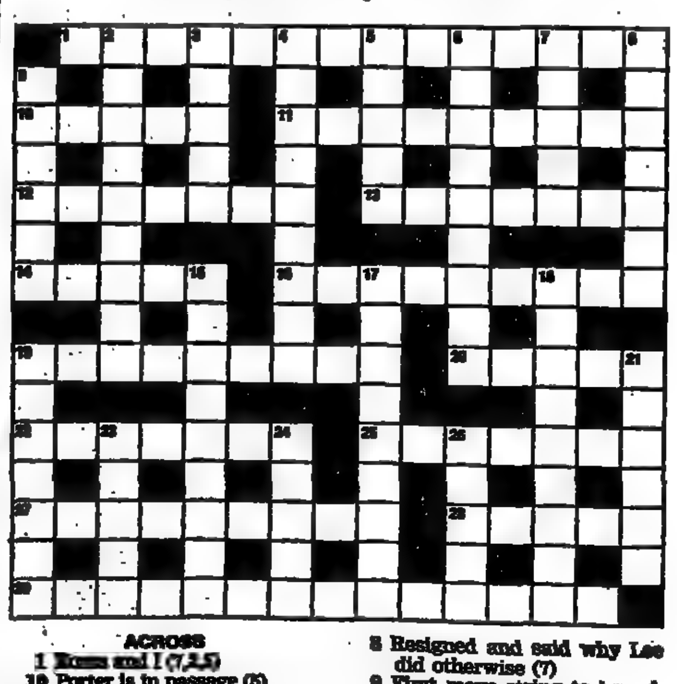
Date: 28 February 1990

Signed: Cyril W Nield
Joint Administrative Receiver

JOTTER PAD

CROSSWORD

No.7,187 Set by GRIFFIN



ACROSS

1 [illegible] (7,3,5)
10 Porter is in passage (5)
11 Free pay, unrestrained (9)
12 Naughty Boris left third mate in port (7)
13 Discussed introducing club act (7)
14 Present the heartless girl's accepted (5)
16 Jim agreed to go west and left the country (9)
18 Lock experts about to become thespians (9)
20 This tree is a pound, chief (5)
22 Understood note on file to journalist (7)
25 Dyed dress instead (7)
27 Involved a grim character's rambling tale (9)
28 Rejected abrupt note on ceasefire (5)
29 Nearly demolished London station in time (5,9)

DOWN

2 Lacking money admitted being abstemious (9)
3 Dinner half swallowed it becomes lazy (5)
4 Nastiness of flu was SEN's undoing (9)
5 Eggshaped hole on vacuum (5)
6 I, first learnt Braille free, being mean (9)
7 A place for pigeons high up (5)
8 Resigned and said why Lee did otherwise (7)
9 First move string to boundary (6)
15 Model railway follows bad example (9)
17 Half-sister enters design that's compelling (9)
18 Thanks to natural evolution finds spider (9)
19 Where you'll get a lager round about five (7)
21 Concealed layer did crumple internally (6)
23 It bores Elizabeth after a month (5)
24 I'd turned up holding stolen loincloth (5)
26 Moving song about a saint (5)

Solution to Puzzle No.7,186

GORGON CROWBARS / TALLIED CHIMERA / LOTS LIONSSHARE / ABOUND ALLAYED / PSYCHIC ALLIES / STIPULATED STYE / GALLANT CHIANTI / SYMMETRY HERESY

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE — March 12

[illegible]

CANADA

TORONTO
4pm prices March 12

Sales	Stock	High	Low	Close	Chng
20836	C Gas Trc	$9 1/2	9 1/2	9 1/2 - 1/8	
10000	Chieftn	27	25	25 - 4	
5300	Chieftain	$25	24 3/4	24 3/4 - 1/4	
5300	CHUM B f	$21 3/4	21 3/4	21 3/4	
2800	Cineplex	$7 3/4	7 5/8	7 5/8 + 1/8	
88624	Cominco	$27 1/4	26 3/4	27 1/4 + 1/2	
2500	Computalog	480	480	480	
25	C HCI A f	$8 3/4	8 3/4	8 3/4	
13000	Con TVX	$7 5/8	7 1/2	7 1/2	
1500	Jannock	$17 1/2	17 1/2	17 1/2	
41488	Labatt	$22 1/2	22 1/8	22 1/2 + 1/8	
72200	Lac Minls	$14	13 7/8	14 + 1/8	
138	Lafarge p	$22	22	22	
19500	Laidlaw A	$24 3/4	24 1/2	24 3/4 + 1/8	
288121	Laidlw B f	$25	24 5/8	24 7/8 + 1/8	
100	Lacr Bk	$15	15	15 - 1/8	
3000	Lacr Gr B	$7 5/8	7 1/2	7 1/2 - 1/8	
15600	Lawsnd A	$8 3/4	8 1/2	8 1/2	
10605	Stl. ComA f	$15 1/4	15	15 - 1/8	
100	Samuel MT	$10 3/4	10 3/4	10 3/4 - 1/8	
538583	Sankoil	$14 5/8	14 1/8	14 1/4 - 1/8	
22543	Sceptre	405	400	400	
240	Scot Paper	$18	18	18	
1085	Scotts f	$14 3/4	14 1/2	14 1/2 - 1/4	
850	Scotts C	$15 1/4	15 1/8	15 1/8 - 1/8	
7775	Seagram	$94 1/2	93 3/4	94 1/2 + 3/4	

[illegible]

MONTREAL
4pm prices March 12

Sales	Stock	High	Low	Close	Chng
11240	Memotec	$9 1/2	9 1/4	9 1/2 - 1/8	
30211	NatBk Cda	$10 5/8	10 1/2	10 1/2 - 1/8	
28750	Noverco	$13 1/8	12 7/8	13 1/8 - 1/8	
9485	Power Corp	$15 3/4	15 5/8	15 5/8	
7697	Provigo	$10	9 7/8	10	
5825	Quebecr A	$12 3/4	12 1/2	12 1/2 - 1/8	
900	Quebecr B	$11 1/8	11 1/8	11 1/8	
1700	Videotron	$13 1/4	13	13 - 1/4	

Total Sales 3,806,589 shares.

INDICES

NEW YORK

DOW JONES	Mar 9	Mar 8	Mar 7	Mar 6	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2683.33	2696.17	2669.59	2676.80	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.56	90.70	90.88	90.76	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1139.05	1137.27	1135.31	1140.47	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.50	221.52	219.94	220.95	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2705.63 (2705.18) Low 2665.54 (2661.26)

STANDARD AND POOR'S	Mar 9	Mar 8	Mar 7	Mar 6	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	337.93	340.27	336.95	337.93	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	390.35	393.02	389.02	389.54	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.89	29.13	28.86	28.99	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	186.18	187.35	185.77	186.17	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	361.15	361.51	359.03	358.81	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	436.76	436.50	432.47	432.33	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 2	Feb 23	Feb 16	year ago (approx.)
Dow Industrial Div. Yield	4.11	4.26	4.14	3.78

	Mar 7	Feb 28	Feb 21	year ago (approx.)
S & P Industrial div. yield	3.09	3.13	3.16	3.16
S & P Ind. P/E ratio	14.74	14.47	14.32	13.04

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Medstar Intl	3,945,900	4 5/8	+ 1/8
Santa Fe Pac	3,695,300	18 3/4	—
Bard C R	3,077,100	13 3/4	- 1/4
NCNB	2,995,800	41 3/4	- 2 1/4
Philip M Coll	2,065,400	37 3/4	- 1/8
Hilton Hotels	2,025,200	51 1/2	+ 1/8
IBM	1,750,300	106 1/4	- 1/4
Am Express	1,636,300	28	+ 1/8
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

TRADING ACTIVITY

† Volume (Millions)	Mar 9	Mar 8	Mar 7
New York	151,728	171,142	163,580
Amex	14,127	13,440	13,685
NASDAQ	135,115	145,732	167,946
Issues Traded	1,952	1,957	1,984
Rises	594	986	740
Falls	887	495	762
Unchanged	471	476	482
New Highs	30	42	40
New Lows	19	19	17

CANADA

TORONTO	Mar 9	Mar 8	Mar 7	Mar 6	1989/90 HIGH	1989/90 LOW
Metals & Minerals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Composite	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MONTREAL Portfolio	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD INDICES

	Mar 12	Mar 9	Mar 8	Mar 7	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1571.0	1579.2	1570.5	1585.1	1781.8 (29/8/89)	1402.9 (7/4/89)
All Mining (1/1/80)	805.0	809.8	803.8	811.2	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	675.76	676.61	680.73	668.95	680.73 (8/3/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6024.67	6040.59	5964.47	5982.83	6885.28 (26/9/89)	5519.38 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	376.97	377.48	375.93	370.71	388.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	643.9	648.8	652.3	654.9	815.8 (18/4/89)	588.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	515.77	528.70	509.58	505.60	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1912.59	1921.11	1917.99	1888.57	2096.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	774.29	779.14	779.21	770.48	807.13 (5/2/90)	536.76 (27/2/89)
Commerzbank (1/12/53)	2258.2	2269.0	2270.4	2246.5	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1846.66	1858.74	1860.92	1844.72	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2892.96	2912.67	2915.73	2926.45	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1728.41	1728.43	1723.93	1737.59	1893.10 (22/1/90)	1360.64 (18/1/89)
ITALY						
Banca Com. Ital. (1972)	665.18	666.25	663.13	666.29	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	33368.23	33993.12	33690.89	33362.34	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2508.86	2539.89	2536.54	2516.27	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4145.66	4176.91	4165.86	4144.55	4286.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	680.24	686.94	683.92	681.08	622.20 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	251.1	251.0	250.8	248.0	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	192.6	192.6	192.4	190.2	218.5 (8/9/89)	166.7 (3/1/89)
NORWAY						
Oslo SE (2/1/83)	834.97	838.46	837.11	833.12	838.46 (9/3/90)	467.17 (3/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1037.70	1035.32	1037.25	1034.18	1396.26 (20/11/89)	894.82 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	432.80	432.76	430.55	427.88	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2009.0	1919.0	1949.0	1967.0	2254.0 (22/12/89)	1281.0 (15/2/89)
JSE Industrial (28/9/78)	2942.0	2929.0	2956.0	2977.0	3211.0 (6/2/90)	1962.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	859.65	852.78	847.77	847.46	1007.80 (3/4/89)	831.81 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	273.38	273.44	271.18	271.33	328.93 (13/9/89)	258.61 (1/3/89)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1151.40	1157.50	1158.40	1162.70	1372.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	762.0	764.0	760.3	763.9	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11817.54	11350.28	11373.32	11415.56	12495.34 (10/2/90)	4873.81 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	795.91	802.40	801.32	799.86	918.67 (5/1/90)	386.73 (3/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	511.3	513.7	509.9	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Mar. 10: Taiwan Weighted Price: 11791.20 Korea Comp Ex. (c)
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday March 12 1990

[illegible]

4pm prices March 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	28	AAR	.48	1.7	17	128	29	28⅝	28¾	– ⅛
9¾	8½	ACM n	1.26	14.		242	9⅛	9⅛	9⅛	+ ⅛
11⅜	10½	ACMIn	1.26	12.		674	11	10⅞	10⅞	
9⅞	7⅞	ACM M	n1.01	13.		473	8	7⅞	7⅞	– ⅛
12⅛	11½	ACMMM				320	11⅞	11⅛	11⅞	+ ⅛
11½	10	ACM Sc	1.26	12.		1402	10⅞	10⅛	10⅛	
9⅝	8⅛	ACMSp	1.01	11.		377	9⅛	8⅞	8⅞	– ⅛
22¼	13	AL Lab	.16	.7	20	404	21½	20⅞	21⅜	+ 1
4⅛	3⅛	AMCA	.12e	3.8	30	14	3⅛	3⅛	3⅛	
6⅛	3⅝	AM Intl			11	411	3½	d 3⅛	3⅛	– ⅛
23½	16⅝	AM In pf	2	12.		5	16⅝	16⅛	16⅝	
107⅛	62½	AMR			9	4482	63⅝	62⅝	63½	+ ½
6⅛	3⅛	ARX				46	4	3⅞	4	+ ⅛
72¾	39	ASA	3a	5.8		1029	52⅞	51⅛	52⅛	+ ½
70⅛	50⅛	AbtLab	1.68	2.6	17	4189	64½	63⅛	64⅛	– ⅜
17¼	11⅛	Abitibi g	.50			65	13⅝	13⅛	13⅜	+ ⅛
13	8⅞	AcmeC	.40	4.1	11	118	9⅛	9½	9⅛	+ ⅛
9¼	7	AcmeE	.32	3.6	11	4	8⅞	8⅞	8⅞	
38½	27	Acuson			22	259	35	34⅝	34⅝	– ⅛
16½	12⅞	AdaEx	2.08e	13.		382	16	15⅞	16	
15⅝	7¼	Adobe				123	13⅛	12⅞	13⅛	+ ⅛
20¼	16⅞	Adob pf	1.84	9.8		27	18⅛	18½	18⅛	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		2	21¼	21⅛	21⅛	
10½	6⅞	AMD			8	2883	9	8⅞	8⅞	– ⅛
35	28¼	AMD pf	3	10.		12	29½	29½	29½	
10⅛	5	Advest	.16	2.8	8	87	6½	6⅛	6⅛	– ⅛
62½	48½	AetnLf	2.76	5.5	9	957	50⅛	49⅞	50⅛	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 51

حكمة امنة الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10¼	9¼	PMMI	.75a	7.8		333	9⅝	9½	9⅝	
89¼	7⅛	PMIIT	1.03	14.		877	7¾	7⅝	7⅝	
9⅝	7¼	PMIT	1.10a	14.		703	7¾	7½	7⅝	
9¼	7¼	PPrIT	1.14	15.		2990	7⅞	7¾	7⅞	
15¼	7⅛	QMS			16	504	15⅛	14⅞	15¼	+ ½
1	3-32	Quantel				41	¼	¼	¼	
68⅞	45⅛	QuakrO	1.40	3.0	19	1237	47½	47	47⅛	− ¼
18	11½	QuakSC	.80	6.3	29	151	12⅞	12⅝	12¾	− ⅛
18⅞	11½	Quanex	.40	2.7	8	502	15	14⅞	15	+ ⅛
31⅞	22⅞	Quanx pf2.28		8.6		74	26½	26	26½	+ ½
65¼	18½	Quantum			2	902	19⅞	19⅝	19⅝	− ⅛
13½	11	QstVl	1.20a	9.2		245	13¼	13	13	
14⅝	9⅞	QstVC				443	13½	13¼	13¼	− ¼
39¾	31½	Questar	1.92	5.2	14	66	36⅞	36⅝	36⅞	+ ⅛
18¼	11⅛	QkReily	.20a	2.0	12	7	14	13⅞	14	− ⅛

— R—R—R —

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11⅞	9⅞	RAC In1.20a		12.		73	10½	10⅜	10⅜	− ⅛
5⅝	1⅞	RAC	.58e	17.	338	183	3⅝	3¼	3⅜	+ ⅛
10⅜	6⅞	RLI Cp	.40	4.1	7	62	10	9⅞	9⅞	
18¼	11¼	ROC Fd.35e		2.9		502	13⅛	13⅛	13¼	+ ⅛
8¼	5¼	RPC			17	22	6⅞	6⅞	6⅞	− ⅛
8½	5⅞	RPS	.81e	14.	6	154	6	5¾	5⅞	− ⅛
86¼	40¼	Racal	.26e	.4	40	862	59¾	58½	59¾	− ⅝
5⅝	2½	Radice n				1	2¾	2¾	2¾	− ⅛
101½	77⅞	RalsPur	1.86	2.2	15	280	83⅞	82⅝	83⅞	+ ¼
6⅞	5⅛	RangrO			32	2376	6¼	6⅛	6⅛	
35¼	25½	Raycm	.32	1.2	37	706	27	26½	27	+ ¼
19⅝	13¼	RJamF	.24	1.3	7	21	18⅞	18⅝	18¾	− ¼
28½	18	Rayonr	3.60	14.	7	125	25	24½	24⅞	+ ⅛
65	60	Raythn	2.20	3.6	8	566	62	61½	61½	− ¼
23½	21	RdrDg n				916	22⅞	22½	22⅞	+ ⅛

AMEX COMPOSITE PRICES

4pm prices March 12

NASDAQ NATIONAL MARKET

2pm prices March 12

— X—Y—Z —

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta e		5	129	9¼	8¼	9¼	− ⅛
XOMA			1591	19	18	18¼	− ⅛
Xicor		169	152	3½	3½	3½	− ⅛
Xyvan			17	2	2	2	+ ⅛
YanEnS	1.14e	13	5	21¼	20⅝	21¼	
Yelowf	.76	39	344	25¾	25⅛	25½	− ¼
YorkRs		20	369	12¼	11⅞	11⅞	− ⅜
ZionUt	1.44	12	125	27¼	27¼	27½	− ⅛

AMERICA

Dow remains on defensive in wait for more data

Wall Street

THE PROXIMITY of the Dow Jones Industrial Average to the 2,700 level kept it on the defensive yesterday although the index recovered from its early lows, reflecting stable bond prices, *writes Janet Bush in New York.*

The Dow closed 3.38 points higher at 2,686.71 on extremely low volume of 114m shares. The index had closed 12.84 points lower at 2,683.33 last Friday, put on the defensive by news of much stronger than expected employment figures in February and a sharp fall in US bond prices.

Financial markets were generally more stable yesterday. The equity market initially dropped about 10 points but recovered as Treasury bonds moved modestly higher.

There are many considerations for financial markets, not least whether the Federal Reserve may tighten monetary policy in response to an apparently sharp rebound in economic growth in January and February. There has been no firm evidence that the Fed is moving to tighten policy but it does appear, over the last two sessions, to have tolerated a slightly higher Fed Funds rate.

Among a series of key economic data this week are February retail sales, the latest Federal Reserve Tan Book of regional economic reports, and February producer prices, housing starts, industrial production and capacity utilisation. These will be watched carefully for further evidence of how strong growth has been so far this year.

The equity market is also dwelling on its own internal, technical considerations. The Dow has rallied to the 2,700 level but has not been able to hold above this point. Along with an apparent deterioration in the technical position of Standard & Poor's 500 index futures and recent weakness in the Dow Jones Transportation Average, which tends to be an early signal of how the broad market will behave, there is doubt that the market can make much further progress.

Among featured stocks yesterday was National Semiconductor which fell $¼ to $7⅝ on news of a 12 cents a share loss in the quarter ended in February, larger than expected.

MGM-UA Communications added $⅜ to $17¼ as the first of four $50m payments by Pathe Communications for its acquisition was paid. Time Warner, which said it was in talks to provide the backbone of the deal's financing, fell $1⅝ to $101.

Grubb & Ellis gained $⅜ to $4⅜. The company said it planned to work with the Resolution Trust Corp in disposing of the assets of thrifts taken over by the Government.

Drug stocks were weak to start with because of a US press report about a bill being drafted which would require manufacturers to discount prices for patients on welfare. Selected issues then recovered. Bristol-Myers Squibb dropped $⅝ to $53⅝ but Eli Lilley edged $⅛ higher to $63.

Canada

TRADING was slow in Toronto and the composite index closed up 7.32 at 3,740.22. Volume was a slim 15.2m shares, valued at C$151.9m, compared with 18.2m shares, worth C$213.2m, on Friday. Declines led advances 306 to 251.

Federal Pioneer, the target of a proposed C$15-a-share takeover offer from Group Schneider of France, was up C$½ to C$14⅝.

Noranda rose C$⅛ to C$21⅝. A group including a Noranda unit said it has found a large natural gas field on the British Columbia-Alberta border.

Ball bounces back to the European court

MARKETS IN PERSPECTIVE

	% change in local currency†				% change sterling†	% change in US $†
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+4.17	+13.11	+147.90	+53.13	+51.38	+51.94
Belgium	+5.46	−1.19	−1.40	−7.93	−7.88	−7.54
Denmark	+4.62	+1.74	+36.09	+5.36	+5.97	+6.37
Finland	−1.41	−1.58	−5.04	+8.59	+9.01	+9.33
France	+3.19	+0.31	+18.79	−4.53	−4.51	−4.15
W. Germany	+2.93	−1.55	+39.77	+4.63	+3.48	+3.86
Ireland	−3.40	−5.78	+17.44	−0.14	+0.16	+0.53
Italy	+1.20	−1.08	+10.36	−4.98	−4.62	−4.26
Netherlands	+2.06	−0.32	+7.44	−5.26	−6.02	−5.68
Norway	+4.69	+4.94	+37.59	+22.90	+22.13	+22.58
Spain	+0.41	−4.60	−3.31	−9.00	−9.22	−8.88
Sweden	−0.69	−8.29	+10.67	−7.26	−7.20	−6.86
Switzerland	+1.14	−2.27	+16.08	−2.55	−0.90	−0.53
UK	−0.84	−3.74	+4.61	−7.75	−7.76	−7.42
EUROPE	+1.11	−2.18	+13.81	−4.60	−4.69	−3.74
Australia	+0.69	−2.85	+10.01	−3.82	−7.92	−7.58
Hong Kong	−0.58	+0.25	−6.74	+2.18	+1.71	+2.09
Japan	−0.73	−8.75	−0.05	−14.50	−19.04	−18.74
Malaysia	+1.28	−0.63	+50.64	+4.70	+4.09	+4.48
New Zealand	−0.92	−5.23	−6.31	−9.73	−10.82	−10.49
Singapore	+1.60	+0.64	+33.30	+8.78	+10.03	+10.45
Canada	+0.45	−0.77	+4.91	−4.46	−6.51	−6.16
USA	+0.57	+1.28	+14.30	−4.40	−4.76	−4.40
Mexico	+3.12	+6.78	+187.34	+22.10	+23.95	+24.41
South Africa	+4.19	−5.64	+38.763	+6.00	−0.20	+0.17
WORLD INDEX	+0.33	−3.73	+7.67	−8.26	−10.49	−10.15

† Based on March 9 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By Jacqueline Moore

EUROPE was the focus of most of the action last week, as the US and Japan took a breather after the previous five days' excitement. France and West Germany made solid gains, while some of the smaller continental countries rose by more than 4 per cent.

A rising oil sector helped France to gain 3.2 per cent on the FT-Actuaries World Indices, building on its 2.8 per cent advance of the previous week. "The market benefited from the prospect of higher crude prices, and oil related stocks such as Elf, Total, Bouygues and Dumez were among the star performers," writes Hoare Govett in its weekly review. Although there was profit-taking on Friday, Total ended the week 10.5 per cent higher and Dumez was up 8.6 per cent.

The French market was also encouraged by active bargain-hunting in blue chips. Most share prices remain relatively cheap, with France still down 4.5 per cent over the year to date in local currency terms.

West Germany was encouraged by a relatively stable bond market and rose 2.9 per cent. Turnover was well down on its busiest levels this year, however, in the run-up to Sunday's East German elections.

The week's top performer was Belgium, which rose 5.5 per cent. Confidence flooded back to equities as activity revived in the bond market, following the reduction of the withholding tax on bonds at the start of the month. The strength of the steel sector also provided a boost.

Last week's bounce came from a relatively low base. "Belgium had fallen further [than others]; it is unlikely to sustain the pace of last week's rise," says Mr Sebastian Scotney at Dillon Read, who describes share prices at the beginning of last week as being at bargain-basement levels.

Scandinavia was split between winners – Norway and Denmark, which made the second and third best gains in the world last week – and the more depressed markets of Finland and Sweden, which both retreated slightly.

The Norwegian and Danish markets were both boosted by firm shipping rates and strong oil prices, which helped Oslo's local all-share index hit a record every day last week. Denmark was given an additional boost at the end of the week by news that FL Smidth, the cement machinery producer, had won a DKr1bn ($153m) order from Thailand.

Last week's worst performer was Ireland, which lost 3.4 per cent. The market fell partly in a belated response to weakness on overseas markets and lower domestic bonds, and partly in reaction to lower-than-expected company results and to downward revisions of profits forecasts for McInerney, the construction group, and for the Bank of Ireland, says Mr Robbie Kelleher of Davy's, the Dublin-based brokers. There have also been a number of cash-raising exercises recently, he adds, which have increased the pressure on the market.

Outside Europe, the most notable movement was in South Africa, which jumped 4.2 per cent, mainly on the strength of results from De Beers, which gained 21.2 per cent over the week.

EUROPE

Foreign losses lead to domestic nervousness

LOSSES in Tokyo and Wall Street's dull performances both on Friday and early yesterday left continental bourses mostly inactive and nervous, *writes Our Markets Staff.*

FRANKFURT added these worries to concern about the East German elections next Sunday, fretted about rights issues overhanging the market and saw volume fall again, from DM6bn to DM4.3bn. The FAZ and DAX indices eased 4.92 and 12.86, to 774.29 and 1,946.06, respectively.

In a weak motors section, Volkswagen fell DM3.50 to DM558.50 after pricing its rights issue at DM440 a share to raise DM1.3bn. Adding offers from Allianz, MAN and Deutsche Bank, the latter just concluded, analysts came to a four-company funding total of about DM5bn, almost 1 per cent of the market's total equity capitalisation.

On the brighter side, Feldmühle Nobel broke out of a trading range of only DM10 since January. It rose DM15 to DM545 in response to the 5 per cent holding acquired by Svenska Cellulosa. Merrill Lynch is said to have a block of similar size, and indicated that these may move the main stake-holder, Veba, with over 40 per cent, into action.

ZURICH fell in low volume, the Crédit Suisse index losing 3.5 to 604.9. Winterthur closed SFr70 lower at SFr3,650 after it announced the $650m General Casualty acquisition in the US, and heralded what it called an interesting capital increase in June.

PARIS lost the confident mood in which it finished last week and eased in very low volume. A slight rise in interest rates, forthcoming US economic figures and the East German elections influenced the tone. The CAC 40 index lost 8.52 to 1,912.59, after reaching a low of 1,905.52. Turnover was estimated at between FFr1bn and FFr1.5bn, after Friday's active FFr2.7bn.

SCOA, the distribution group, was suspended at Friday's closing price of FFr40.20, pending a statement. Paribas, the bank which owns 11.58 per cent of SCOA, eased FFr4 to FFr620. Late in the day, the bank's subsidiary, Crédit du Nord, reported net profits more than doubled and said that it would sign a co-operation agreement with PKbanken of Sweden later this week.

Lyonnaise des Eaux added FFr5 to FFr596 after reporting profits of FFr725m, up 31 per cent, compared with brokers' expectations of FFr700m.

Schneider, the engineering company, lost FFr11 to FFr699 after forecasting an improvement in group net profits and saying that it was bidding for Federal Pioneer, the Canadian electrical equipment and distribution company.

Rhône-Poulenc, which said that it had reached agreement for its takeover of Rorer, the US chemicals company, and also announced the purchase of Tubize Plastics of Belgium, saw its investment certificates lose FFr10 to FFr418.

MILAN eased in quiet trading on options expiry day and the Comit index fell 1.07 to 665.18. Volume was estimated at L150bn, around Friday's level; it is expected to remain low until the start of the new account on Thursday.

The detergent manufacturer, Mira Lanza, 70 per cent controlled by West Germany's Benckiser, was suspended before a board meeting on Thursday at which Benckiser is proposing to make an offer for the minority. On Friday, Mira Lanza rose 1.8 per cent to L68,300.

There were strong rumours that IFI, the Fiat holding company, was planning to buy the 7.7 per cent stake in the paper manufacturer, Burgo, currently held by Pirelli. Burgo closed little changed at L12,811 after L12,800.

Montedison eased L15 to L1,820. After the close, the state-owned ENI said that it planned to file suit against Montedison for breach of contract in connection with their Enimont chemical joint venture.

AMSTERDAM was supported by more than doubled net profits for 1989 at DSM, the chemicals group. DSM closed Fl 1.6 higher at Fl 114.60. The CBS tendency index edged up 0.3 points to 112.2, but trading in general was thin.

The transport sector attracted foreign buying interest as takeover speculation resurfaced. Nedlloyd rose Fl 1.90 to Fl 97.60 and 637,821 shares changed hands, double Friday's level. Pakhoed, which has gained 8 per cent already this month, added a further Fl 2.50 to Fl 165.

The sugar producer, CSM, rose 50 cents to Fl 75 on reports that it was refusing to sign new bourse rules which would not allow companies to have more than two takeover defences. CSM has been seen as a candidate for a takeover or a merger ever since West Germany's Südzucker bought the sugar refining operations of Belgium's Raffinerie Tirlemontoise last year. The new rules are part of a move by the bourse authorities to liberalise the market and a company's failure to comply could mean that its shares could be relegated to the secondary market.

STOCKHOLM eased in thin turnover of SKr163m. The Affärsvärlden general index shed 5.1 to 1,151.4. Handelsbanken's 8 per cent rise in profits and plans to accommodate foreign investors fell on deaf ears, its shares falling SKr3 to SKr102.

Procordia advanced against the trend, its free Bs adding SKr1 to SKr126 before it announced a 14.5 per cent increase in 1989 earnings. Asea free Bs put on SKr10 to SKr750 amid high expectations about its results, out next Tuesday.

VIENNA declined in lively trade as profits were taken following last week's four-day series of record highs. Trade was extended for 35 minutes to absorb the extra business. The bourse index fell 4.13 to 718.13.

BRUSSELS eased, with profit-taking on selected stocks in light volume. The cash market index fell 15.83 to 6,024.67.

OSLO investors collected profits after a series of record highs. The all-share index fell 0.26 to 635.72 in trading worth NKr418m.

SOUTH AFRICA

A WEAK financial rand, combined with modest demand in a cautious market before tomorrow's Budget, helped Johannesburg stocks firm.

ASIA PACIFIC

Sliding yen and arbitrage selling undermine Nikkei

Tokyo

A FURTHER slide in the yen shattered market confidence, and arbitrage selling took share prices sharply lower, *writes Michiyo Nakamoto in Tokyo.*

A sluggish close on Wall Street last Friday affected investor sentiment at the outset. The Nikkei average lost more than 100 points just after trading began and remained under pressure for the rest of the day. The index moved from a high of 34,005.70 to a low of 33,366.27 before closing 624.89 down at 33,366.23.

Declines led advances by 741 to 248 with 151 unchanged. Turnover dropped to 380m shares from the 664m traded on Friday. The Topix index of all listed stocks lost 31.01 to 2,508.88 and, in London, the ISE/Nikkei 50 index fell 7.14 to 1,800.44.

The yen came under further pressure as Friday's US employment report for February boosted the dollar. During the day the Japanese currency fell to Y152.10 to the dollar, a level that it has not seen in two years and seven months.

This took bond prices lower and fanned market fears of higher interest rates. The market has more or less discounted a rise in the official discount rate, but the likelihood of an imminent rate increase after Mr Yasushi Mieno, the Bank of Japan governor, returns from his trip abroad was unsettling, said Mr Shin Tokoi at County NatWest Securities.

Arbitrage selling by foreign securities houses involved in the futures market led to sharp falls in both indices. Investors had hoped that the unwinding of futures positions would decrease after the expiry of the March futures contract last Thursday; but yesterday indicated that there was more squaring to be done, said Mr Graham Biggart at Schroder Securities.

Otherwise, the focus of activity was on the smaller stocks, in which investors were inclined to take profits as they have generally performed better than the big ones, according to Mr Tokoi at County NatWest.

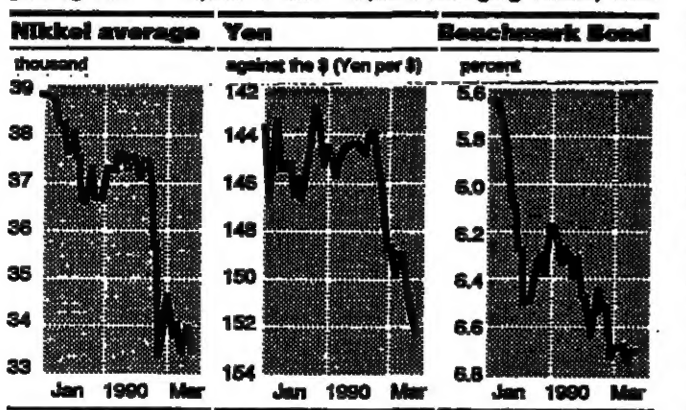
Among smaller stocks, Nippon Beet Sugar Manufacturing, first in volume with 9m shares traded, closed unchanged at Y1,790 after rising Y60 to a high of Y1,850, partly on rumours of buying by a speculative group.

Iseki and Co, an agricultural machinery maker, also finished unchanged at Y1,220, after gaining Y60 to Y1,280. It was pursued for its volatility by investors looking to take quick profits, analysts said.

Nippon Mining fell Y22 to Y958 on reports that it would revise its consolidated profits downwards.

Profit-taking in high-technology electricals and large capital steels took the OSE average in Osaka lower by 246.96 to 36,243.70. Volume fell to 84.8m shares from 104.3m on Friday.

Nikkei average / Yen / Benchmark Bond



Roundup

LEADING Asia Pacific markets drifted lower in response to the fall in Tokyo; Taiwan and Manila held their ground.

HONG KONG fell for the fifth consecutive session in moderate trading. The Hang Seng index shed 19.69, dipping below 2,900 for the first time in two weeks to close at 2,892.96. Turnover was little changed at HK$1.1bn.

Tomson Pacific, the property and securities group, topped the actives list before its extraordinary general meeting, rising 13 cents to HK$1.13. Crusader continued to show strength on reports of recent gold finds in South America, adding 5 cents to HK$1.15.

AUSTRALIA eased in trade restricted by a holiday in Melbourne. Turnover shrank to its lowest level since January 2, with only 50m shares worth A$92m changing hands, compared with Friday's 77m valued at A$168m. The All Ordinaries index fell 8.2 to 1,571.0.

Coles Myer, the retail group which is due to report half-year earnings on Thursday, lost 2 cents to A$7.60.

TAIWAN surrendered initial gains to profit-takers and ended slightly firmer. The weighted index rose 26.34 to 11,817.54.

MANILA rose slightly as selling pressure eased. The composite index rose 2.88 to 1,087.70. The country's two stock exchanges, Manila and Makati, yesterday agreed to hold formal talks on March 27 about a possible merger after their presidents met with the Securities and Exchange Commission.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 12 1990						FRIDAY MARCH 9 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	138.80	−0.8	127.74	121.77	−0.6	5.50	139.90	128.15	122.55	160.41	128.28	138.18
Austria (19)	272.20	−1.7	250.50	241.25	−1.5	1.10	276.84	253.59	244.90	276.84	92.84	102.64
Belgium (61)	142.13	−0.6	130.80	124.61	−0.3	4.48	143.01	131.00	125.02	160.02	125.58	131.10
Canada (120)	143.17	+0.3	131.76	122.23	+0.2	3.30	142.80	130.81	121.98	154.17	124.67	135.12
Denmark (36)	256.61	−0.4	236.16	228.26	−0.1	1.41	257.64	236.01	228.38	260.82	165.35	166.64
Finland (26)	144.24	−1.0	132.74	121.92	−0.7	2.40	145.74	133.50	122.80	159.16	118.88	149.37
France (125)	148.31	−0.8	136.49	134.52	−0.5	2.80	149.55	136.99	135.18	157.97	112.57	114.14
West Germany (96)	127.18	−1.0	117.04	113.06	−0.7	1.88	128.50	117.71	113.84	137.01	79.56	83.59
Hong Kong (48)	118.96	−0.5	109.48	119.33	−0.5	4.91	119.58	109.54	119.93	140.33	86.41	127.08
Ireland (17)	181.90	−0.3	167.40	164.93	+0.3	2.55	182.51	167.18	164.43	196.57	125.00	141.56
Italy (96)	93.69	−0.6	86.23	88.31	−0.3	2.60	94.24	86.32	88.59	102.11	74.97	78.16
Japan (455)	157.32	−1.9	144.78	151.51	−1.2	0.54	160.41	146.94	153.41	200.11	157.32	186.02
Malaysia (36)	237.92	−0.6	218.96	248.05	−0.5	2.15	239.31	219.21	249.22	245.32	143.35	155.86
Mexico (13)	402.83	−0.5	370.72	1162.76	−0.5	0.45	404.93	370.93	1168.80	409.41	158.32	168.23
Netherland (43)	135.27	−0.3	124.49	118.85	+0.0	4.66	135.72	124.33	118.87	145.66	110.63	115.43
New Zealand (18)	63.96	−0.9	58.86	57.64	−0.9	6.03	64.53	59.11	58.17	88.18	61.96	71.06
Norway (24)	244.10	−0.4	224.64	218.50	−0.1	1.54	244.98	224.41	218.79	245.66	139.92	166.77
Singapore (26)	195.77	+0.0	180.17	168.98	+0.1	1.72	195.72	179.28	168.79	199.36	124.57	144.06
South Africa (60)	199.89	+1.5	183.95	168.05	+2.3	3.46	196.86	180.33	164.24	251.39	115.35	138.59
Spain (43)	147.06	−1.0	135.34	122.44	−0.4	4.29	148.60	136.12	122.99	169.75	143.14	146.95
Sweden (35)	177.81	−0.6	163.63	162.46	−0.5	2.39	178.88	163.86	163.26	206.95	138.45	155.35
Switzerland (62)	92.25	−1.4	84.90	87.10	−0.7	2.14	93.57	85.71	87.68	99.12	67.81	78.04
United Kingdom (306)	145.51	−1.0	133.91	133.91	−0.5	4.85	146.93	134.60	134.60	164.31	133.28	150.44
USA (541)	137.02	+0.2	126.10	137.02	+0.2	3.46	136.75	125.27	136.75	146.29	112.13	120.24
Europe (989)	135.84	−0.9	125.01	122.61	−0.5	3.54	137.06	125.56	123.21	146.66	112.63	118.73
Nordic (121)	190.38	−0.5	175.20	164.86	−0.3	1.88	191.36	175.29	165.32	201.89	137.95	147.09
Pacific Basin (667)	155.25	−1.8	142.88	149.10	−1.2	0.82	158.16	144.88	150.90	194.72	155.25	181.57
Euro – Pacific (1656)	147.75	−1.5	135.97	138.77	−0.9	1.84	149.98	137.39	140.06	174.18	141.58	156.45
North America (661)	137.29	+0.2	126.35	136.08	+0.2	3.47	137.02	125.51	135.81	146.66	112.79	121.03
Europe Ex. UK (683)	128.30	−0.9	118.07	115.37	−0.5	2.73	129.40	118.53	115.93	135.73	96.30	99.24
Pacific Ex. Japan (212)	129.91	−0.6	119.56	118.03	−0.5	4.86	130.74	119.76	118.67	140.05	111.93	126.23
World Ex. US (1849)	148.24	−1.4	136.43	138.83	−0.9	1.91	150.34	137.71	140.03	173.77	141.49	155.54
World Ex. UK (2084)	142.97	−0.9	131.58	138.53	−0.5	2.19	144.21	132.10	139.24	162.00	136.98	141.01
World Ex. So. Af. (2330)	142.83	−0.9	131.45	137.85	−0.5	2.42	144.11	132.01	138.59	161.84	136.67	141.86
World Ex. Japan (1935)	137.31	−0.2	126.37	131.30	−0.1	3.55	137.63	126.08	131.39	145.52	114.51	120.89
The World Index (2390)	143.18	−0.9	131.76	138.06	−0.5	2.43	144.43	132.31	138.77	162.05	136.68	141.84